The Magazine of WALL STREET

and BUSINESS ANALYST

Special Preview Issue
Part 2

JANUARY 21, 1956

85 CENTS

Which Industries offer Best Prospects in 1956?

By GEORGE W. MATHIS

IN THIS ISSUE

Petroleum • Non-Ferrous Metals •
Rail — Farm — Office Equipment •
Paper • Tobacco • Aircrafts • Airlines
and Others

PRESIDENT'S STATE OF THE UNION MESSAGE

By Howard Nicholson

HOW SAFE ARE LOW-YIELD STOCKS TODAY?

—29 Stocks Rated Plus 5 Replacements

By Ward Gates

BANK STOCK OUTLOOK FOR 1956

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 97, No. 10 January 21, 1956

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Trend of Events 479

As I See It!
by John Cordelli 481

Market Realities We Face in 1956
by A. T. Miller 482

State of the Union Message
by Howard Nicholson 484

Men of Faith and Genius
by George Simpson 486

1956 Prospects for Leading Industries, Part 2
by George W. Mathis 490

Low Labor-Cost Companies
by John T. Ward 494

Inside Washington
by "Veritas" 496

As We Go To Press 497

Canada's Economic Outlook
by V. L. Horoth 499

What to Do About Low-Yield Stocks
by Ward Gates 502

Camera-Optical Industry in New Growth
by Roger Carleson 504

Companies Passing Dividends
by John D. C. Weldon 507

The Distilling Industry
by Arthur H. Ferguson 510

Bank Stocks as Investments Today
by J. S. Williams 512

1955 Price Movements in The Magazine of Wall Street's 300 Stocks 515

For Profit and Income 516

The Business Analyst
by E. K. A. 518

Answers to Inquiries 523

The Magazine of Wall Street's Common Stock Index 548

COVER PHOTO by Wide World Photos

Illustrations, page 494—Reliance Electro Eng. Co. Page 495—U. S. News & World Report. Page 504—Bausch & Lomb. Page 510—Natl. Distillers Prods.

SUBSCRIPTION PRICE — $20.00 a year in advance in the United States and its possessions and Pan-America, Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS — Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London E. C. 4 England.

Cable Address — Tickerpub

Dynamic metals for a dynamic new world

At 60, Anaconda moves ahead with its first primary aluminum — with expanding copper operations in Montana and Chile — growing uranium oxide production — new fabricating plants

120,000,000 pounds of aluminum a year: On August 15, Anaconda Aluminum Company began to pour primary aluminum. Its modern new plant is now in full production — an important new source of the vital "white metal" to help meet growing needs.

More copper: Anaconda has greater copper ore reserves than at any time in its history. Intensive exploration and development have revealed large new deposits in Montana and in Chile.

Every bit as important are technological advancements in mining and metallurgy. Continuing experiences with methods of massive block-caving, open-pit mining, and ore beneficiation make possible economical production from low-grade ores. Expanding operations and new ore processing plants in both Montana and Chile are helping bring the supply of refined copper into balance with world requirements.

More nonferrous metal products: Anaconda Wire and Cable Company has seven mills manufacturing electrical wires and cables with copper and aluminum conductors. The American Brass Company has expanded to meet the growing new uses for copper and copper alloys, is building a new brass mill in Los Angeles and a new aluminum fabricating plant in Terre Haute, Ind.

More fuel for peaceful atom power: During 1955, additional facilities at Anaconda's uranium processing plant near Grants, N. M., went into action — making Anaconda probably the largest single producer of uranium concentrates in America. With large-scale production from its own uranium ore deposits, Anaconda is making every effort to help provide the raw material for tomorrow's manifold peacetime atomic progress.

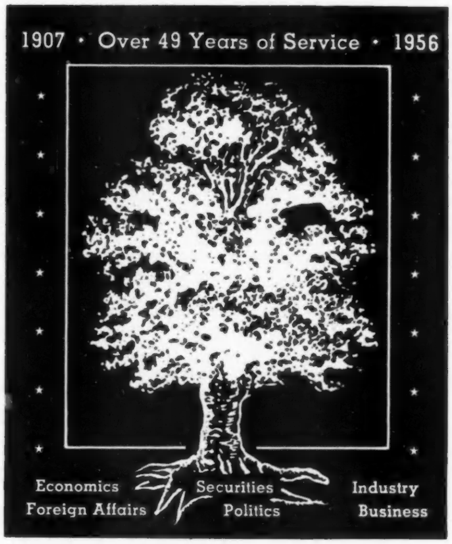
Anaconda and its manufacturing companies are constantly seeking new and better ways of doing things with the world's most extensive line of nonferrous metals and mill products. The Anaconda Company, 25 Broadway, New York 4, N. Y.

55248A (Rev)

ANACONDA®

AT ANACONDA PROGRESS HAS A BROAD BASE

THE MAGAZINE OF WALL STREET
C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

GRANDEUR OF THE PRESIDENT'S PROBLEM . . . As President Eisenhower, in his awesome loneliness, ponders over the enormously complex circumstances which will determine his final decision "to run or not to run," he must be reflecting that never in the history of this nation has a President been confronted with such a tormenting problem. Though eager counsel from all quarters has descended upon him, in the final analysis the responsibility for a sound solution rests on his shoulders and his alone.

This is what makes his task so tragically difficult. One can, therefore, only feel the deepest compassion for this devoted servant of the public who has dedicated his entire life to the service of the nation.

All Americans, of course, from the moment that President Eisenhower fell ill, have showered him with expressions of their devotion. Fully appreciative of this nation-wide outpouring of sentiment, he would be the first to counsel his countrymen not to lose their sense of perspective—that in terms of this nation's future, no man, even of the great stature of General Eisenhower, is indispensable. He would say, we are sure, that this nation of ours will always be capable of finding within itself the resources to surmount any crisis and to proceed from there to new heights of accomplishment.

WHERE WILL IT END? . . . Although the year has just started, already there are rumblings of trouble to come on the labor front. This will take the form of a demand for higher wages, including "fringes". It is quite possible that over-all increases will be demanded on the order of 15 to 25 cents an hour. Assuming that final terms, after negotiations, are similar to those last year, there would be an increase of some 18 cents an hour or about 8%. This would include 12 cents an hour in straight wage raises and 6 cents an hour in "fringes".

It is significant that last year's demands for higher wages were made against a background of rising corporate profits. Unless business profits decline in the immediate future, which is not foreseen, labor will feel that in 1956 it still possesses an argument in favor of higher wages equally potent to that used in 1955, and one which it believes employers will find difficult to answer, against a background of continued high profits.

Such is this year's program for labor. However, in the coming year it may be more difficult, in fact, for the unions to extract additional important wage concessions, for the important reason that employers are becoming mindful that wage increases in the past year have already outstripped productivity. Thus, while 1955 wage increases of 18 cents an hour, or 5%, about matched the normal annual 5% increase in productivity, over-all wage increases, which included "fringes", amount to slightly over 8%. Consequently, there is an adverse differential of 3% between total wage benefit increases and the rate of increase in productivity. At this rate, it would become highly uneconomic for industry to continue to advance wages.

This is the basic fact which industry must consider. If, therefore, it is un-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS::1907—*"Over Forty-nine Years of Service"*—1956

willing any longer to risk the economic imbalance caused by an increasing spread between wage increases and the rate of productivity, it will finally have to say "No" to labor on the question of more increases. This means that negotiation between management and the unions is likely to tend to break down and, as a result, the nation may have to face a rash of strikes. The situation probably will not come to a head until the Steel industry wage contract runs out at the end of June but, one may be sure, both industry and labor are girding for the fight.

A RARE EXHIBITION OF CANDOR . . . Young Mr. Henry Ford, who is already well known for his less-than-conventional attitude—from the conservative viewpoint—on what should be the proper standards of obligation between industry, labor and the public made history the other day when, in addressing assembled syndicate managers of the Ford stock offering, he threw cold water on the rising hopes of would-be investors in his own offering. (In fact, of course, this is a public offering of stock of the Ford Foundation and not that of the company itself.) Mr. Ford cautioned against excessive expectations of enhancement in the future market price of the new issue and further jolted prospective purchasers by calmly announcing that, in his view, automobile prospects for 1956 were not as bright as for the preceding year. Obviously, this is not the usual way to go about selling stock, and it need not be said that such a display of disarming candor is totally unprecedented in the annals of Wall Street.

To say the least, Mr. Ford was not in the slightest deterred from his demonstration of interest in the public welfare by any fear that this might have a less-than-favorable effect on the sale of the stock. Such an attitude not only speaks volumes for the integrity of Henry Ford's grandson but might serve to encourage other leaders of business and industry to be franker in their expression of views on public matters, especially in statements involving their own companies or industries. In too many instances, officials have been prone to issue excessively optimistic statements, not altogether warranted by actual conditions.

The American public is fully mature and can be relied on to make up its judgment on matters that concern its interests if given the unvarnished facts. One can be sure that the investing public, in particular, is fully appreciative of Mr. Ford's motives with respect to the extraordinary timing of his statements and they will applaud the soundness of his judgment in his estimate that his unique candor will prove an excellent long-term investment.

SHODDY GOODS . . . In a period of boom, such as we now are experiencing, demands on productive facilities are great. With the major emphasis on output, not a few manufacturers have cut quality corners while their employes have been guilty of an indifference that has been reflected in goods that have been below specifications. There is no need to single out a few products in which this decline has become manifest. The consumer, in any case, is all too familiar with this vexing problem. Such a development must be especially annoying to many of our senior citizens, long accustomed to the high standards of American manufacture.

With more spirited competition impending, there is every reason to believe that we shall see an end, or at least a sharp contraction, of this type of product. For those manufacturers who ignore the discontent of many consumers on this score there is bound to be a rude awakening.

THAT LUSH JUNGLE—The Interstate Commerce Commission, commenting adversely on last April's recommendations of President Eisenhower's Cabinet Committee on Transportation, professes itself horrified that the Cabinet Committee would return transportation to "the law of the jungle" with "competition in full play".

Here not only the thought but its expression are unfortunate. Considering the vast body of American law aimed at enforcing competition, it ill becomes an arm of the Federal Government to equate competition with the reign of fang and claw. As a practical matter, one must also wonder why the industrial beasts of the jungle manage to earn some 12 per cent on their net investments, while the mannerly and protected railroads have a struggle to get home with 4 per cent.

Lastly, it behooves such a body as the ICC to keep scrupulously aloof from partisanship in such a vital controversy. "Law of the jungle" is a gross distortion fastened on the Cabinet Committee's proposals by one segment of the trucking industry. It will be difficult enough to get these reforms enacted, without trying to twist the difference of the ICC and the Cabinet Committee into a railroad vs. truck, or worse, a railroad vs. ICC brawl.

Students of the whole history of transportation regulation will get a wry smile out of the ICC's pious assertion that throughout its history it "has undertaken to refrain from encroachment on carriers' managerial functions to the fullest degree possible."

In the period between the Civil War and the Spanish-American War, American railroads, like industry generally both in this country and England, ran into excesses as the result of a curious abdication of its responsibility by the whole class which usually serves as a nation's conscience—press, pulpit and collegiate classroom. The sin of the ICC is that it rode herd more and more vigilantly as the role of vigilante became less and less useful. For it to pretend it has always done the opposite is not helpful.

Heart of the Cabinet Committee's recommendations is the proposal for setting maximum-minimum ranges of rates, rather than specific rates, and it is this that the ICC most firmly opposes. It fears irreparable injury—to whom not specified—if its specific rate-setting powers are impaired, if its right to decide whether a carrier's rate policy is wise or unwise is curtailed, or if it must make up its mind regarding a rate proposal in less than seven months.

The one concrete instance of irreparable injury that comes to mind immediately is the testimony by Carter Fort of the Association of American Railroads before a Congressional inquiry that delay in granting rate increases—finally found justifiable and granted—cost American railroads $1,293 million in the first five postwar years. The least the ICC might have done, it seems to a neutral observer, would have been to offer some plan to cure such real financial wounds, before it got so exercised over hypothetical ones. —END

As I See It!

By JOHN CORDELLI

REAPING THE WHIRLWIND

It is not an over-statement to say that when that great champion of independence for all peoples, the Soviet government, introduced its resolution of censure against Israel in the United Nations for its punitive foray into Syrian territory, decent people everywhere could not but reflect that, even for the Soviets, standards of ethics in international affairs had sunk to their lowest level in the post-war period. For this shocking demonstration of power politics at its most brazen and cynical nadir possesses its own terrible significance, at least in this particular instance, inasmuch as it exposes the hollowness of present-day Western pretensions to morality on the world stage, fully as much as it reveals the endless capacity of the Kremlin to sacrifice whole peoples and nations to its implacable and evil thirst for world dominion.

Thus, as the world waited for the Security Council to vote a resolution of condemnation against the tiny state of Israel, which, after all, merely attempted to defend itself against provocative acts by the surrounding, hostile Arab world — though, perhaps, through mistaken methods — the peoples of the democracies, whose governments supinely followed the Soviet lead, can take no satisfaction from the outcome.

The situation contains enormous menace to the peace of the world for together with potentials for violent action by the Israelis in their bitterness at the thought of being left to fend for themselves, the Arab governments will be encouraged to believe that they not only have a new and powerful ally in the Soviets in the objectives of destroying Israel but they have the moral support of the governments of the Western Big Three, as well.

NEW LEADERSHIP IN THE LIBERATION FROM COLONIALISM

Dowling, in the N. Y. Herald Tribune

Though the Soviets, through their arming of Egypt via Czechoslovakia sources, can justly be accused of precipitating a new and formidable crisis in Israeli-Arab relations, ultimate responsibility for the rapid worsening of the situation can be laid directly at the door of Western diplomacy, particularly that of Whitehall. The British Foreign Office, which has fumbled badly in its handling of Middle East affairs, is now busily engaged in compounding incompetence with folly over a wide geographical arc ranging from Cyprus to Jordan. Into this welter of astounding diplomatic ineptitude, our own State Department has been led, though, quite probably, reluctantly. In any case, we now find ourselves ever more deeply involved in a seemingly insoluble situation in the Middle East.

In a belated attempt to extricate his government from the morass in which it is floundering, both at home and abroad, Mr. Eden, the British Prime Minister, will shortly visit Washington. We trust that, for once, our State Department will not allow itself to be dragged behind the British chariot. We hope that it will find the strength and courage to find its own policy—an American policy. We believe that if the State (*Please turn to page* 546)

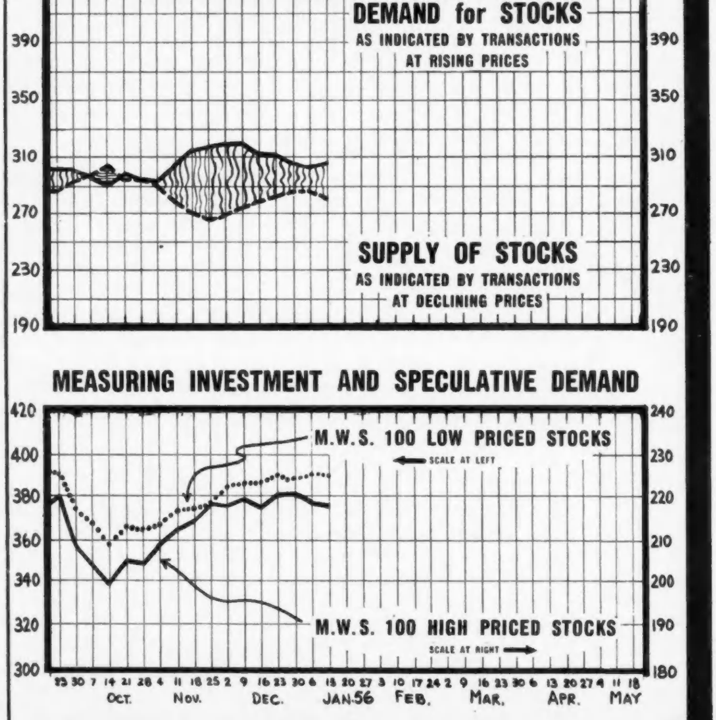
Market Realities We Face in 1956

For all practical purposes the market is stymied at a level somewhat under the late 1955 highs, while awaiting the President's decision. Without regard to the latter, the business trend will bear watching. At best, its promise for interim earnings and dividends is on the limited side. A conservative and highly selective investment policy remains in order.

By A. T. MILLER

Without decisive over-all movement either way, the stock market is blowing hot and cold from day to day while awaiting President Eisenhower's decision whether or not to seek another term. Never before has interim market action hinged on the beat of a President's heart, on a President's weighing of his health prospect, his duty to self and family, his duty to the Nation. On the initial shocking news of his heart attack in late September, investors generally took it for granted that he could almost certainly be counted out as a 1956 candidate. Although hope to the contrary revived to some extent as his recovery progressed, doubt and uncertainty, of course, remained. For many weeks now the question has been the country's No. 1 guessing game. Somebody of prominence says, after seeing the President, that he thinks Ike will run: the market perks up. With equal lack of fact to go on, somebody is headlined in the newspapers as saying that Ike probably will not run: the market sags.

The late-September assumption that he could not be expected to serve beyond his present term resulted in declines to October 11 of roughly 49 points by the Dow industrial average, 19 points by the rail list, 5 points by the utility average. With the shock absorbed, and with the news of business, earnings and dividends on the stimulating side, that was followed by a more than full recovery in the over-all level of stock prices. The industrial average recorded a new high on December 30, although it bettered the September top by slightly less than one point. Rails went to a new top as of November 25, exceeding this average's September high by 3.54 points. The utility average reached a recovery high on December 6, which was only fractionally short of best earlier 1955 levels. However, all three averages have subsequently been confined to a fairly narrow trading range, and have lost a bit of ground on balance.

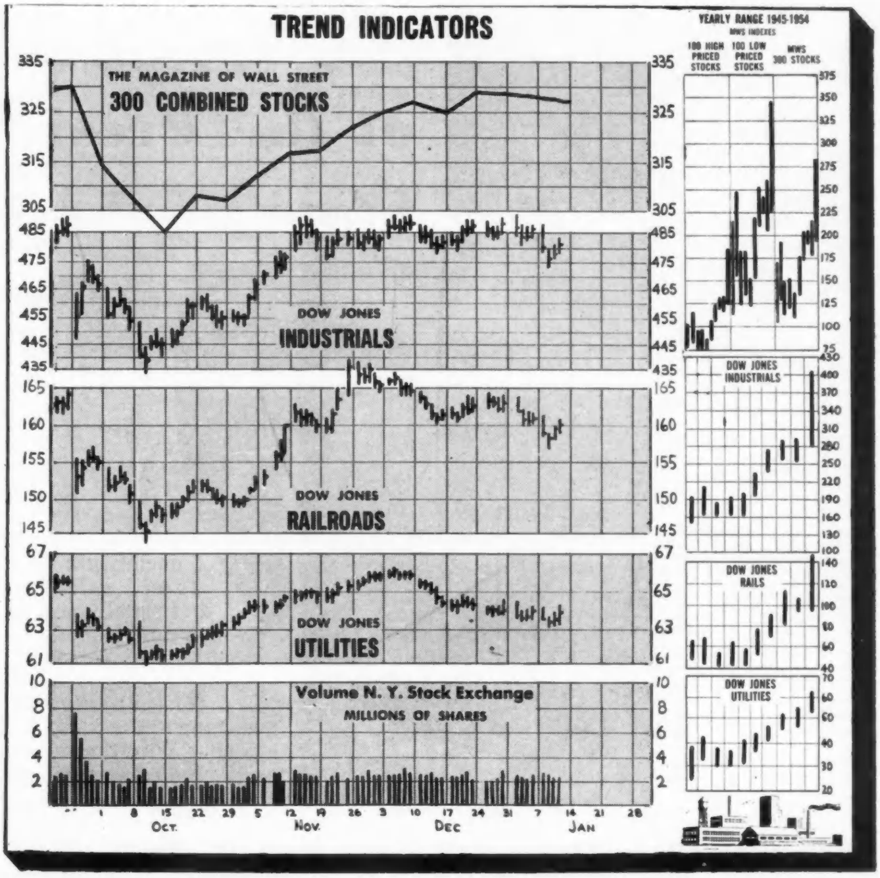


The Present Picture

Stock prices receded, but not to any significant degree, in a continuing highly mixed market, over the last fortnight and the past week. The only feature of general interest was a two-day dip, amounting to 9.56 points for the industrial average and 3.45 points for rails, at the start of last week. Accompanied by a moderate expansion in trading volume, this was another move based on "Eisenhower news". What was the news? A poll of 14 newspaper reporters, who covered the President's first press conference since his heart attack, found 12 of them expressing the opinion that Ike probably would not be a candidate. With nothing more definite to go on, the pressure quickly dried up and a recovery followed. It left industrials down about 4 points on the week,

the rail average a fraction lower, utilities virtually unchanged.

Especially in the case of the industrial average, the level is so high that movements on the order cited are mere wiggles when expressed in percentage. Thus, at recent lowest closing level, the average had receded about 2.5% from its December 30 all-time high. Now affected by another wage-rate squeeze, and by uncertainty as to the timing and scope of petitioned freight-rate relief, the rail average was down over 6% from its November high at last week's low. The comparable figure is about 4% for utilities, which remain under the handicap of tighter money rates and resultant increase in bond yields.



Viewed from another perspective, it may be noted that at recent poorest levels, the industrial list had cancelled about a fourth of its total rise from the October 11 low, the rail average over 45%, utilities about half. No great significance attaches to the latter, as the whole 1955-1956 range of the utility average to date has been only about 5½ points. As usual, especially in a trading-range market, the averages tell no great part of the story. Among individual stocks, daily declines and advances last week were in ratio of roughly 10 to 9; and about as many issues attained new highs as sagged to new 1955-1956 lows, with both amounting to very small minorities of the issues traded.

What's the outlook? If the President withdraws from the race, that could logically induce a short period of market unsettlement. It should not of itself take the averages back to the October lows, for the latter discounted the President's then assumed elimination. If his decision is to seek re-election, we would expect a market celebration for at least some days, possibly several weeks; and possibly capable of putting the averages, especially industrials, to new highs. Bear in mind, however, that both the initial and the secondary effects of a long-discussed event are generally a good deal less dynamic than many people have imagined they might be.

If the decision is to withdraw, market second thought should be that, despite the familiar exaggerations of campaign oratory, the Republican and Democratic Parties today are more similar than different in basic policies and aims. For instance, regardless of the nominees and of the election's outcome, Federal spending for defense and welfare programs is already pointing upward; and the guessing at Washington is that an income tax cut later this year is still a better-than-even bet.

On the other hand, if the President announces decision to seek re-elction, market celebration should be tempered—if not cooled without much delay—by uncertainty about business prospects. There is no question that the boom is "wearing thin around the edges". Contraction in the key automobile and housing fields is a fact. Steel-trade talk is not quite as cocky as it was a few weeks ago. Although the trends are still upward, the rates of rise in manufacturers' new orders and sales, and in over-all retail trade, have slowed markedly in recent months. This being so, it remains to be seen if plant-equipment outlays in 1956 will come up to the optimistic projections heretofore made.

At best, industrial production in the highest 1956 quarter—which might be the second or the fourth—cannot more than mildly exceed the final-quarter 1955 level. At best, corporate earnings are unlikely to get much, if any, above the 1955 fourth-quarter level. At best, the over-all rate of dividend payments for at least the first three quarters of 1956 appears subject to no more than creeping rise, compared with dynamic rise in 1955 fourth quarter.

We continue to suggest emphasis on conservatism and selectivity in portfolio management, with the adjustments aimed at reducing risk, increasing quality of holdings and thus conserving principal. There are times when keeping what one has can validly be the No. 1 objective in a period of interim uncertainty. — Monday, January 16.

An Appraisal of the President's State of the Union Message

By HAROLD NICHOLSON

President Eisenhower's State of the Union Message to Congress accepts the democratic party's challenge to the Administration to stand or fall on specifics, not on generalities.

In almost every major particular Ike is seen offering to close ranks with his political "loyal opposition" and go forward along lines matching the comprehensive plan expressed in the point-by-point program laid out by Senator Lyndon Johnson of Texas, democrat spokesman in the upper House.

The Johnson declaration plainly was an attempt to anticipate the State of the Union Message in point of time and content. It had gathered together government's aspirations, to tag them with the label of democratic party origin.

The State message is controlled in its timing by implied direction of the Constitution which sets it up as the marching orders in the White House campaign of action. The opposition party is free to speak its official piece at any date which serves its purposes.

This is not to suggest that the President's words fell upon a Congress or a people who had been kept wholly in the dark. To borrow a word from the promotional book of the motion picture industry, the principal portions had been "pre-sold," separately; the State Message corraled them in a single authoritative document that is supposed to help relate each "trailer" to all the others.

This doesn't establish purely political motivation on one, or both, sides. That isn't important anyway. The prospect of both parties pledged to legislative action now presents itself.

There are basic points of difference between the campaign platforms of political parties on the one hand, and the Eisenhower and Johnson documents on the other. The former are traditionally lightly regarded, vote-seeking and usually pious documents of rhetorical composition. Nobody is held to strict accountability, within the terms of his campaign platform. At least none in recent years has been brought to book for failure to deliver a package deal including peace, prosperity, balanced budget, economy in government. For the most part, these things are about as elusive as ever.

Not a Test of Strength

However, the State of the Union Message, coupled with the Johnson bill-of-particulars, stand as promises made by persons having the power, if they have the will, to fulfill (candidates for office cannot); and it publicly asked that they be judged on the basis of a performance that can be watched and evaluated and compared.

President Eisenhower probably had less to do with the preparation, arrangement, distribution of emphasis and general detail of the latest message than he had to do with the three that went before over his signature. The spade work and early drafts took place during his illness and recuperation. But it can be assumed that he had full charge of the inclusion and rejection of items and, of course, the final draft was fine-tooth combed by him.

The document can hardly be described as a fighting message. It is far from a partisan pep talk to rally all good republicans to the aid of their party. There is a tendency to read into the objective appraisals and calm language of promise, the conclusion that this is the Eisenhower swan song. That inference is made stronger by the certainty that the odds against another Ike campaign are substantial. But a backward glance over the texts of the three messages which opened sessions of Congress in other years of this Administration shows the latest to be in character.

Ike reflects an awareness that the success of the final year of this Presidential term could well rest in a Congress controlled by the opposition political party. He does not invite a test of strength but pleads for cooperation. In this regard there appears

to be an assumption on his part that the gravity of international problems needs but to be cited and cooperative effort will follow. That does not take into consideration the proprietary interest in foreign policy and peace which the GOP now is accused of claiming. A claim which the democrats welcome, by the way; it releases them from the pledge not to rule foreign affairs on partisan principles, they reason.

Much of what is set out in the report to Congress is repeat matter. That is equally true of the Johnson paper. And if the voters examine both in the light of promises that came before, the indicator of sincerity will plummet. But both the President and the Texas Senator have been sagacious in relating their major promises to continue efforts. The suggestion always is that this is the year of realization and of great culmination. Nothing aimed at in earlier years is put down in total abandonment but the country is invited to enter each project as a dedication of the political group currently having the ear or the eye of the voter. The result, as Election Day nears, may be tagged as accomplishment, or as frustrated honest effort. This is a cancelling out technic on both sides, it seems, but there it is.

Promise vs Performance

The "continuing effort" may be embraced hopefully by the country. But it would be fair to ask how long it must continue before realization arrives. And that question would be embarrassing to both parties. Neither has an unassailable record: they have made very similar promises in the past, jointly and severally, and performance just has not been good.

The farm problem is a perennial, yet each party holds out as the savior of agriculture through the years and now, in this year of 1956, each is offering "the" solution—again. The budget is not yet in balance and taxes obviously are too high. Prosperity is here, in terms of totals, but there is powerful evidence that distribution among all classes hasn't been accomplished. Schools and highways, flood control, social security benefits, labor legislation, these and many more domestic matters are high on the agenda of each party. The cold war is on again, American friendships are strained almost everywhere in spite of foreign aid that is more likely to go up than to go down.

Against this background, the Eisenhower and Johnson messages project the light of promise to try to do together the things they haven't quite been able to bring about in divided effort. The next few months will test the brightness of that vision and the sincerity of those for whom the two authors optimistically speak at year's beginning. At least it is the first year when there have been two "Union" messages, one seconding the other in an order which is subject to disagreement.

To say that leadership in both parties now is on record as to specifics rather than generalities is not to imply that details have been spelled out. But Ike and Johnson have promised more than life, liberty and the pursuit of happiness, more than peace and prosperity. They have placed methods at least in broad outline.

With respect to economic relief for the farmer, there remains an irreconcilable basic difference. It is whether parity payments shall be pegged at 90 per cent, or allowed to fluctuate in response to market conditions. Johnson naturally comes out for the former, and Ike reflects GOP thought that flexible supports deserve more trial time. But in the "State" message the President joins the Senator in proposing that land be taken out of cultivation. Johnson calls it a "soil rental program" in his 13-point statement of Nov. 21. The President puts it this way:

"I shall urge authorization of a soil bank program to alleviate the problem of diverted acres and an overexpanded agricultural plant. This will include an acreage reserve to reduce current and accumulated surpluses of crops in most serious difficulty, and a conservation reserve to achieve other needed adjustments in the use of agricultural resources. I shall urge measures to strengthen our surplus disposal activities."

The two approaches go side-by-side in other major particulars also.

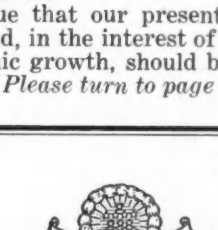
Senator Johnson asked for "a tax revision to benefit the low-income groups," and mentioned the program previously offered by Senator Walter F. George. In combination that calls for a cut in individual tax for the average family, and conditions all on a budget in balance.

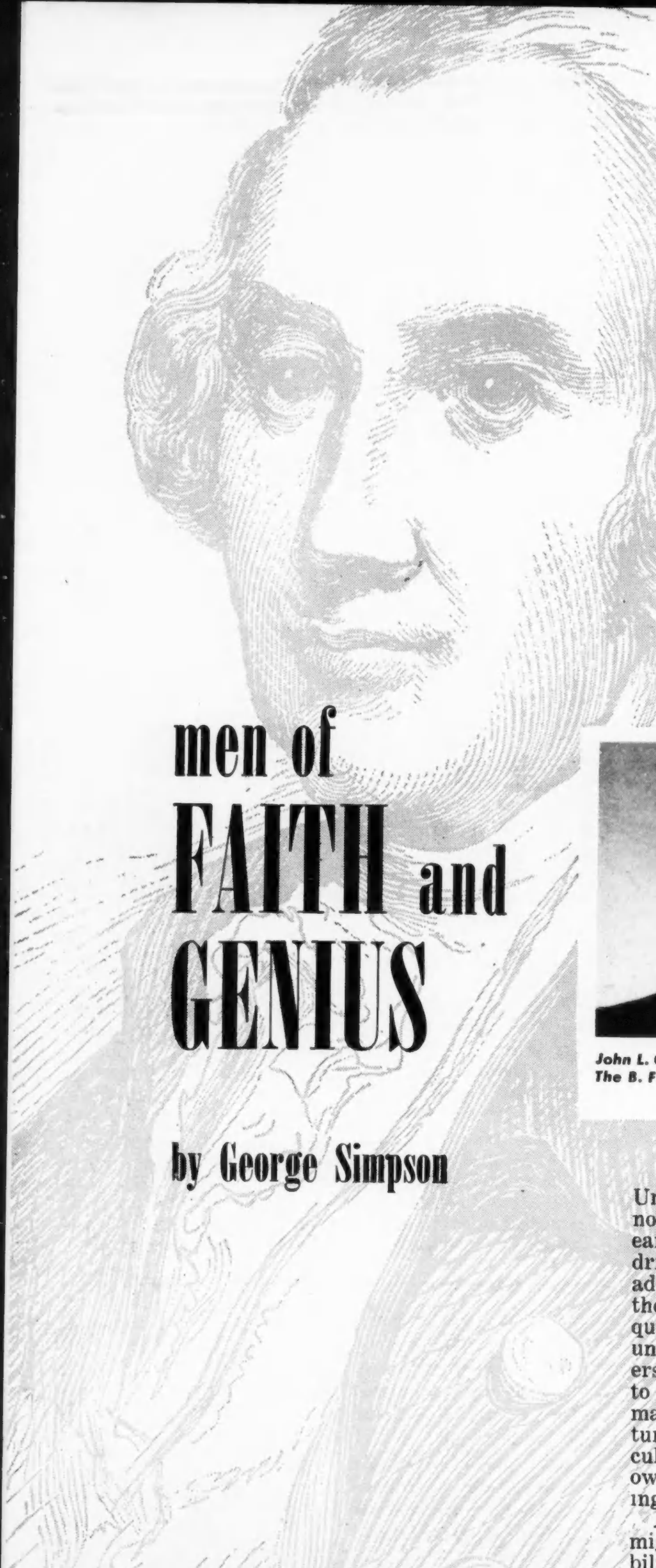
"Balancing the Budget"

President Eisenhower professes to see a balanced budget in sight for the current fiscal year and a matching of income and outgo for next year. He rules out income tax repeal or reduction, and declares for maintaining corporation taxes at their present level. This places him almost four-square with Johnson. The significant portion of the "State" message in this respect declares:

"It is unquestionably true that our present tax level is very burdensome and, in the interest of long term and continued economic growth, should be reduced when we pru- (*Please turn to page* 530)

In his fourth State of the Union Message, the President emphasized the necessity of balancing the budget and making at least a start toward debt reduction. This would mean a postponement of tax reduction, especially if his proposals for added "public works" outlays were adopted. Furthermore, it is difficult to see how federal expenditures are to be held down in the light of the President's forcible reference to the need of increasing foreign aid. But this is a dilemma not of his making but that of the unfavorable shift in international affairs in recent weeks. In all, the President's program is characteristically moderate but, in an election year, it could become the victim of partisan politics, though the leaders of both parties disclaim any such intent.





men of FAITH and GENIUS

by George Simpson

John L. Collyer, Chairman
The B. F. Goodrich Company

Joseph A. Martino, President
National Lead Company

The business and industrial leaders of the United States are a special breed of men. They are not duplicated anywhere else on the face of the earth. It is not so much that they possess unlimited drive, vision and a boundless capacity for work, in addition to immense knowledge of the workings of their particular segment of the economy. These qualities they have in abundance, but they are not unique in this respect, for they are shared by leaders of other countries. It is rather that, in addition to these great essentials, they possess in common a marked willingness to assume responsibility for venturing into new and, often, untrod paths in a calculated risk not only to promote the welfare of their own business enterprises but with a full understanding of what this may mean to the national economy.

At this particular time—at the crest of the mightiest business boom in America—the responsibility of these leaders, not only to their companies but to the nation, as a whole, is immeasurably in-

creased for, by their collective efforts, they must ensure that the forward movement of the national economy does not suffer a disastrous halt. In a very important sense, their success or failure in this vital objective may determine whether the capitalist system, as we know it, will survive. For, in the mid-twentieth century, we are confronted with an implacable and powerful enemy determined on destroying the capitalist edifice. If it should fall in this country, or even appear in danger of falling, it is a foregone conclusion that none of the other free nations would be able to survive.

Therefore, it may be said, without equivocation, that the future, not only of their own particular enterprises, but of the nation and the free world, is largely in their hands. More than any other element of the population—more than labor, more than the farmer, more than the professional man, more than the politician,—it is the business leader who has the ultimate responsibility in a capitalist system such as ours.

The story of some of these leaders is described in the following vignettes, which, in necessarily brief form describes the outstanding achievements of each of these personalities in such a way as not only to demonstrate their capacity to lead their companies to ever-greater heights but to exert economic statesmanship of the highest order for the maintenance of our established institutions.

John Lyon Collyer—Shortly after Mr. Collyer left his key post with the British-owned Dunlop Rubber Co., Ltd. to assume the presidency of B. F. Goodrich Co. in 1939, he made it clear that if Goodrich wasn't going to be the biggest rubber company, it could be the best. The far-flung nature of the rubber business calls for the kind of executive who is ever alert to world conditions. This top-drawer leader of his industry and keen student of world affairs was not with Goodrich many months before he was appealing for a Government-sponsored American-made rubber program to safeguard the nation against loss of its principal sources of crude rubber supply in the event of war in the Far East (it came in 1941). And to demonstrate the possibilities of man-made rubber, Mr. Collyer announced for general sale by his company passenger-car tires in which his company's American-made rubber replaced crude rubber by more than 50%.

When Gulf Oil Corp. decided to go into the chemical business, with emphasis on synthetic rubber, it chose Mr. Collyer's company as its partner, forming Goodrich-Gulf Chemicals, Inc. Goodrich also was a pioneer in tubeless tires, now standard equipment on millions of automobiles.

The Collyer brand of leadership is easily translated into dollars and cents for the stockholding-owners of the company. Sales last year topped $700 million for the first time and earnings also are believed to have set a record. Under the Collyer guidance, tires now account for only about one-half of the company's dollar volume of sales. Chemicals, plastics, foam rubber, footwear and industrial rubber products are among the other important sources of income.

Few men holding such high office in private industry can equal the Collyer record of service to the nation. He served as an industry advisor to the State Department in rubber meetings held in England in 1944, in the United States and in London in 1945, in the Netherlands in 1946, in the United States in 1947, in England in 1949, Canada in 1952 and in Denmark in 1953. On Executive Order of President Truman, he was awarded the Medal for Merit, highest civilian award, in 1946. Other public services are too numerous to mention. In April, 1954, he relinquished the presidency of Goodrich to William S. Richardson, but continues to serve as chairman of the board and chief executive officer of the company.

The very nature of the rubber industry, with its world-wide sources and markets, imposes a necessity for thinking in global terms. Mr. Collyer, of course, always has viewed the industry of which he is an outstanding representative as part of a complex world situation. His eminent success as a world citizen, no less than as an industrialist, must be ascribed to his broad-gauge qualities.

The Free World, no less than his company, has been the large beneficiary of his considerable service and wisdom.

s Cash Penney, Chairman
. Penney Co., Inc.

Thomas J. Hargrave, Chairman
Eastman Kodak Company

J. Frank Drake, Ex-Chairman
Gulf Oil Corporation

Joseph A. Martino—The story of the president of National Lead Co. is right out of Horatio Alger, although even a fiction writer would be hard put to envisage a man of humble beginnings showing the foresight, adaptability and versatility of the man who started out 40 years ago as an office boy at National Lead. Over the years he has devoted his entire interest to the company, rising through the ranks as assistant comptroller, director, member of the executive committee, comptroller, executive vice-president and, in 1947, to the presidency.

Mr. Martino might be said to have widespread interests—almost exclusively, new product development and diversification for his company. He carries on in a tradition that has made the company a delight to stockholders, who have received some dividend in every year over the last half-century. Under Mr. Martino, the company has scaled new heights. When he assumed the presidency in 1947, sales totaled $270 million. Last year, volume was over $500 million. In 1947, earnings were about $12 million. They have risen more than threefold in the interim. Total assets have jumped to $300 million from $162 million in 1947. All along the line, there has been growth and expansion.

The Martino emphasis has been on research and development. He has kept pace with the new industrial era brought about by atomic energy. In addition to operating the Atomic Energy Commission's feed materials production center, where uranium and thorium are produced, the company supplies other materials highly essential to the industry, such as cobalt, nickel, zirconium and titanium, containers for shipping and storing radioactive materials, and lead and barite for shielding. To those who think of National Lead primarily as the producer of Dutch Boy paints and lead products, it may come as a surprise that under Mr. Martino the company has staked out in the Adirondack Mountains of New York State the largest single source of titanium-bearing ore in the world.

If there is a more imaginative corporate executive than this man who has taken his company into a wide range of broad-horizon products and projects, the investment community has yet to identify him.

James Cash Penney—When J. C. Penney in 1902 started his first store, housed in a wooden shack, in the little mining town of Kemmerer, Wyoming, the only sign embellishing exterior of the establishment was one reading "The Golden Rule Store." That was more than a trade name; it epitomized young Jim Penney's recognition of the Golden Rule as being one of the most fundamental laws that can be expressed in words. It was then and has continued to be his cardinal principle in business. This Rule is the basic ingredient in a formula made up of honesty, industry and recognition of and respect for the individual. From the beginning, these have become the tenets of the J. C. Penney Company over which he presides as Chairman, and which today operates a chain of 1,670 department stores located on the little main streets of villages and on the big streets of large cities in every one of the 48 states. In all the annals of retail merchandising, there is no record of a company that from such a small start has grown so big in a little more than 50 years. Although "The Golden Rule" sign has been replaced by the company name over its chain of modern stores, the Penney formula still operates. Total annual sales in every one of the last six years have run in excess of $1 billion in merchandise sold strictly on a cash-and-carry basis at prices appealing to people who want to make their hard earned dollars go far. Chairman Penney, from the start, has held to the belief that those who help produce profits should share in them. Profit sharing, considered a cornerstone of the business, accounts for the deep loyalty and dedication of Penney men and women to their jobs, to their stores, to their customers and to the company. As Mr. Penney expresses it, one factor that has contributed more than any other to the rapid growth of the organization has been the emphasis it has laid upon human relationships, toward the public on the one hand by giving the utmost in values; and toward its associates (his designation for "employees") on the other. Despite his complex duties, Mr. Penney has found time to serve as Chairman of Allied Youth, Inc., Chairman, National Council for Community Improvement, and as Vice President of the Laymen's Movement for a Christian World, Inc. He

men of FAITH and GENIUS

Donald W. Douglas, Chairman & Pres't.
Douglas Aircraft Co., Inc.

Morse G. Dial, President
Union Carbide & Carbon Corp.

is a holder of 10 honorary degrees from various universities and colleges, one of which is that of Doctor of Humane Letters in which he undoubtedly takes the greatest pride.

Thomas Jean Hargrave—More than 28 years after joining the Eastman Kodak Co. as legal advisor, Mr. Hargrave sums up the industry this way: "I continue to be bullish on photography." And "continue" seems to be the right word, for since 1941, when he became president of Eastman, the industry and his company have made enormous strides—a sevenfold growth for the field.

Under Mr. Hargrave, Eastman has attained a large measure of diversification, so that today about one-third of its business is in non-photographic lines—textile materials, plastics, chemicals, special military items. While he is a disciple of diversification, Mr. Hargrave doesn't undersell photography, which touches all our lives every day in many ways.

Mr. Hargrave, of course, is bullish on the American economy, too—his firm has spent on the order of $350 million over the past decade for new and improved plants, more effective equipment and improved methods. This program has been financed on a "pay-as-you-go" basis without resort to borrowing. He has stressed research, in keeping with the Eastman tradition. Whereas George Eastman, the founder had to get along with one chemist working full time on research, the Hargrave era is featured by one of the largest in industry, with some 1,700 scientists and technicians. The research and development budget runs about $35 million a year.

Another great Eastman tradition expanded by Mr. Hargrave is the wage dividend plan, which originated in 1912 and has become the pace-setter in industry. A considerable part of his time goes to matters that bear on the company's industrial relations. The man who became president of Eastman in 1941 and now serves as chairman has stressed, throughout his career, a special concern for the company's role as a citizen in the communities in which it operates. He reasons:

"This is not just a matter of generosity and humanitarianism. It's also a matter of plain common sense. Our business is built around quality products. We need good people to make them. And such people naturally want a good community in which to live and bring up their families. Community and company have a lot in common."

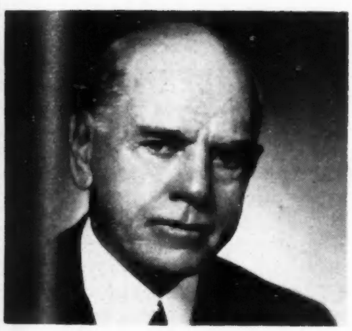
An example of how this works out is the fact that labor turnover at Eastman is about one-third of the national average. He adds: "We get wonderful support from Kodak share-owners for these efforts.

J. Frank Drake—More than half of the world's proven oil reserves are in the Middle East, now turned into an arena in which the Soviet bloc vies with the Free World. The prize, of course, is the oil riches of the region. That the West now holds this prize is to the credit of such men as Drake of Gulf. A lifetime of great accomplishments was crowned by Mr. Drake's discovery and development in the Middle East of what is now believed to be the world's largest oilfield. The oil concession in this land on the Persian Gulf was obtained in 1934. Shared equally with the British Petroleum Co., commercial production from this area began in 1946. Since then, more than 1.7 billion barrels of crude oil have been produced. Gulf's current liftings from Kuwait are about 50,000 barrels a day.

Probably the easiest way to appreciate the magnitude of the Drake discovery and enterprise is to imagine places such as Kuwait fueling the Soviet economy and war machine.

Thus, the career of Mr. Drake, a key figure in the growth of Gulf Oil Corp., now one of the 15 top corporations in this country, ranges far beyond business responsibilities, however large. Indeed, it was while serving the Ordnance Department of the Government that Mr. Drake made the acquaintance of the Mellon family, which founded Gulf. At the end of World War I, he joined Gulf as assistant to the president. When the late Andrew W. Mellon was secretary of the Treasury in the Harding Administration, he called Mr. Drake away from Gulf for a time to serve him as an unofficial trouble-shooting assistant.

He served for a spell as chairman of the board of Pullman, returning to Gulf in 1931 as president. In 1948, on retirement of the late W. L. Mellon, Mr. Drake was elected (*Please turn to page* 534)

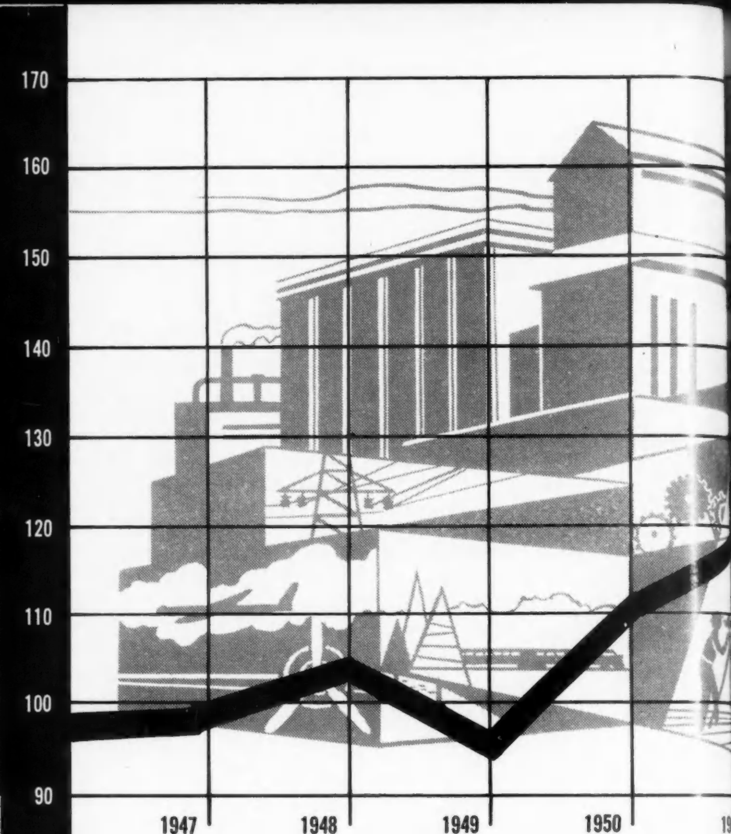


Eugene G. Grace, Chairman
Bethlehem Steel Corporation

I. W. Wilson, President
Aluminum Company of America

Eugene Holman, Chairman
Standard Oil Company (N.J.)

1956 prospects for leading industries



INDUSTRIAL PRODUCTION INDEX

PART II

By **GEORGE W. MATHIS**

In the first section of this review of major industries, published in the last issue, we summarized the general economic outlook, as it appeared at the close of 1955. The conclusion was drawn that "the current boom is likely to be well nigh exhausted by mid-year, and a mild period of digestment and readjustment will follow." It is against this background that these analyses of the position and outlook for the various major industries should be considered. In the following, we complete our analysis of the list of industries under survey.

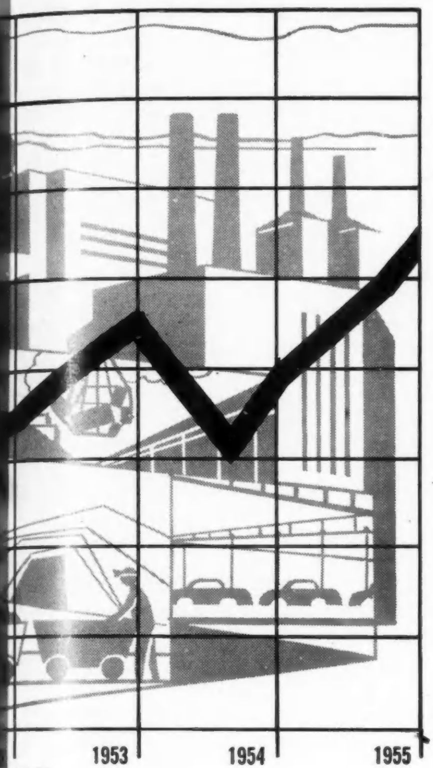
NON-FERROUS METALS — In general, nonferrous metals in 1955 enjoyed one of their greatest years on record. Prices began the year at relatively favorable levels, and advanced sharply during the year. Output in most branches of the industry was at capacity levels almost throughout the year, with exception of strike periods, and earnings were extremely satisfactory.

In aluminum, primary ingot production totalled about 1.6 million short tons, roughly 7% more than in the preceding year (and almost double the production rate as recently as 1951). Prices were about 8% above 1954. For copper, domestic production was more than 10% above a year ago, and the price averaged roughly 30% above its level in 1954. For lead, production was slightly above 1954 (but well below 1953) and the price was slightly higher. (At year-end, the price trend in lead was still upward.) For zinc (slab), production rose about 10%, and prices also about 10%.

For these key nonferrous metals, the 1956 outlook is exceptionally good, although with the exception of aluminum and lead the price trend has apparently flattened out. Production of all the nonferrous metals is likely to be considerably above all years except 1955, and may even slightly exceed that record year. For most of 1955, the stockpile has been deferring to the demands of the civilian economy, and the stockpile accordingly stands as an additional support to the market in 1956 should such support be needed. At least through the first three quarters, earnings of nonferrous producers and fabricators should be at record levels, and even admitting the possibility of some decline in the fourth quarter, the year's total operations should be one of the best annual results on record.

RAILROAD EQUIPMENT — Producers of railroad equipment did not fare as well in 1955 as might have been expected from the booming rate of demand for such equipment in recent months. Early in the year, rail traffic was far from exceptional, running well below the comparable period of 1953, and orders for cars and other equipment were slack. By the time traffic climbed sharply in late spring, and by the time orders began to pile up rapidly in the offices of car-builders, shortages of steel and of skilled labor were so acute as to prevent a rapid advance in output.

As a result, however, rail equipment suppliers are



entering 1956 with a tremendous backlog of business, of both conventional and innovational (cost-cutting) types. At the same time, steel demand in the automobile industry has begun to moderate, and there are signs of some moderation in the appliance industry. While neither of these industries use the same steel products required by car builders (mostly plate and heavy bar stock), the release of ingot capacity should permit a rapid improvement in the availability of steel for freight cars.

For the first half of 1956, accordingly, operations of freight car builders should see about the fastest gain of any industrial group, and the very high levels which will be achieved by mid-year will very likely persist through the last half.

The outlook for these companies is thus for a solid improvement in sales and earnings, and this outlook is not seriously affected by the probability that rail traffic will begin to subside some time during the second half. At the start of 1956, unfilled orders of equipment manufacturers evidently stood at over 100,000 cars, or about 18 months' production, and order volume was continuing at a high rate. Backlogs of diesel-electric and electric locomotives were also sufficient to provide a healthy operating rate for most of the new year.

FARM EQUIPMENT — In farm equipment, 1955 was a surprisingly good year. Sales of farm equipment in the first half of the year evidently exceeded sales in the comparable period of 1954 by nearly 20%. In the last half of the year, as farm prices continued to subside and farm incomes declined further, the volume of farm equipment sales also declined, and the year as a whole has shown a gain of about 10% over 1954.

For 1956, the outlook for farm machinery is clouded by the same uncertainties that obscure the farm sector as a whole. There is no clear indication that 1956 will see an end of the persistent downtrend in the prices of major farm commodities, and it is probable that farm incomes — that is, the incomes of farm operators who do the buying of machinery — will continue down. The parity ratio, which measures the relative position of the farmer in the market place, is now at its lowest level since 1940, and still falling.

In 1955, farmers maintained their purchases of machinery, as well as of goods for living, by increasing their debt. It is probable that a further increase in farm debt will occur in 1956, since the relation of farmers' debts to their assets is still quite low by historical standards. And it is also true that the slow but significant drift of American farming toward larger and larger (and fewer and fewer) farms will doubtless continue in 1956, and larger farms mean a more optimal use of farm machinery.

Nevertheless, the persistent declines in farm income make unlikely any major further improvement in the rate of machinery and equipment purchases, and the outlook for 1956, while not glum, is not as favorable as it is for the producers of industrial machinery and equipment. Rising costs will also affect the operations of farm equipment producers, and it is quite probable that the current efforts to pass these costs on, in the form of 5% price increases, will not be entirely successful.

It might be added that many farm equipment producers are already diversified, or are now diversifying, and the favorable outlook for industrial and construction machinery will have a beneficial influence on the more diversified members of the farm machinery industry.

OFFICE EQUIPMENT — In 1955, producers of office equipment had their biggest year on record, thanks to the general business boom, their increasing efforts in the direction of electronic office machinery, and the steadily rising costs of clerical labor. Office mechanization is now clearly a significant aspect of total cost reduction programs, and office equipment producers are riding an enormously favorable trend.

For 1956, operations of these companies should reach a new peak. Electronic equipment should, for the first time, make a significant contribution to total earnings; that is, the extremely high development and engineering costs of the past several years should begin to pay off.

Selling prices of office and store machinery advanced about 5% during 1955, and in 1956 may average prices for all of 1955. Assuming some further increase in physical volume, and some upgrading of demand toward larger and more complicated models, sales of office equipment producers, in dollars, may well run as much as 15% ahead of 1955. It is even questionable whether a moderate downturn in business in the second half of the year would have any serious effect on this outlook. The rise in price, and economies accompanying increased manufacturing scale in the electronic equipment line,

should more than offset rising wage costs and materials costs, and margins will doubtless be somewhat higher.

AIRCRAFT MANUFACTURE — Deliveries of civil aircraft by American producers in 1955 were sharply higher — about 40% — than in 1954, and average airframe weight of delivered planes was also up considerably. Deliveries of planes (plus progress payments on yet uncompleted contracts) to the U. S. government were evidently about $500 million less in 1955 than in 1954, however, and a further decline is imminent for the first half of 1956. By the last half of 1956, however, it is quite probable that both military and civil aircraft deliveries will be rising, and, in addition, expenditures on guided missiles by the federal government will also be climbing. For the calendar year, therefore, the aircraft manufacturing companies can look forward to a considerable improvement.

In addition, the longer-run outlook is now definitely improved by the sudden appearance of commercial jets on the order books of major manufacturers. Commercial jet carriers obviously indicate a revolution in aircraft production (as well as in airline operation) and the overt stage of the revolution is evidently now only about two years' distant. In evaluating the aircraft outlook, it is also worth noting that until 1956 the proliferating missile program has been offset by declining defense outlays on aircraft; hereafter, the missile program will evidently be superimposed on a steady or rising level of government outlays for the more conventional products of the aircraft companies. And over and above all of these advantageous factors is the constantly increasing complexity, weight and power of both civil and military types.

Accordingly, earnings of the aircraft companies in 1956, and in all probability in ensuing years, should be higher than currently, even granting a continuation of high research and development outlays. Only a sudden cessation of the cold war could materially alter this outlook.

AIRLINES — In 1955, airlines enjoyed another record year, continuing a sharp postwar uptrend that was interrupted only briefly in 1948. Revenue miles flown rose about 12%, to about 550,000,000, and a rising load factor helped produce a gain of nearly 20% in passenger miles. Express and freight ton miles also showed substantial growth in the neighborhood of 20%, and mail ton-miles increased moderately.

This improvement in traffic, which has doubled revenue passenger miles since 1951, is virtually certain to continue in 1956, although the annual percentage gain may not equal the extreme gain of 1955. Freight traffic is also virtually certain to increase.

Low-rate "air-coach" flights are likely to rise further as a proportion of total air passenger volume, and hence the improvement in gross revenues may be somewhat less than the improvement in passenger-miles. And it is also true that the sudden expansion of aircraft procurement by the major companies involves tremendous depreciation set-asides to meet current progress payments and future delivery payments. Nevertheless, the net earnings of airlines in 1956 should show a considerable gain over 1955. It is probable that a relatively large portion of these earnings will be retained to meet future outlays on equipment, and it is also possible that the airlines will have to undertake external financing to meet the enormous commitments already made and to be made for jet (and perhaps turbo-prop) equipment. Accordingly, the cash position of the airlines will apparently be under substantial pressure in 1956, and in 1957 as well. Dividend policies of the major airlines are thus likely to remain conservative.

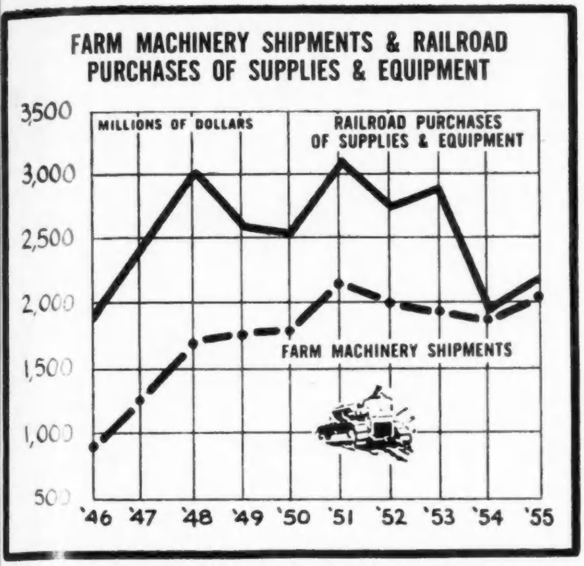
TEXTILES — Sales volume of textile manufacturers in 1955 ran about 10% above 1954, with most of the gain appearing in the last half of the year. The gain reflected mainly an increase in production and physical volume amounting to about 10%; the industry's general price level was about unchanged in 1955, although there was considerable shifting around of the price structure which suggests some improvement in manufacturing margins late in the year. Notably, inventories of textile and apparel manufacturers at the end of 1955 were no higher than at the beginning of the year. However, apparel inventories of retail establishments, including department stores, were considerably higher.

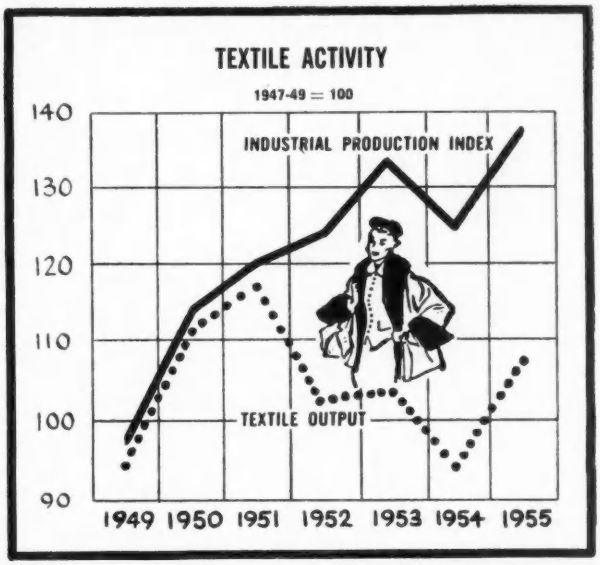
For 1956, the textiles outlook is among the most difficult of all to analyze. Throughout the postwar years, the industry has experienced a two-year cycle of remarkable regularity, and this cycle will be in a declining phase in most of 1956. It is quite possible that at current operating rates, which are historically high, inventory at retail, and then at manufacturing levels, will accumulate rapidly in the first half, and precipitate a considerable decline. This is the consensus of a large number of well respected industry analysts. At the same time, high and rising personal income, coupled with a tendency on the part of consumers to shift their spending emphasis from durables to soft goods, may well result in exceedingly good volume at retail. On balance, the factors at work suggest a strong first half, and a slow but accelerating decline in volume and profits in the last half. For the year as a whole, earnings should equal or slightly exceed 1955 levels.

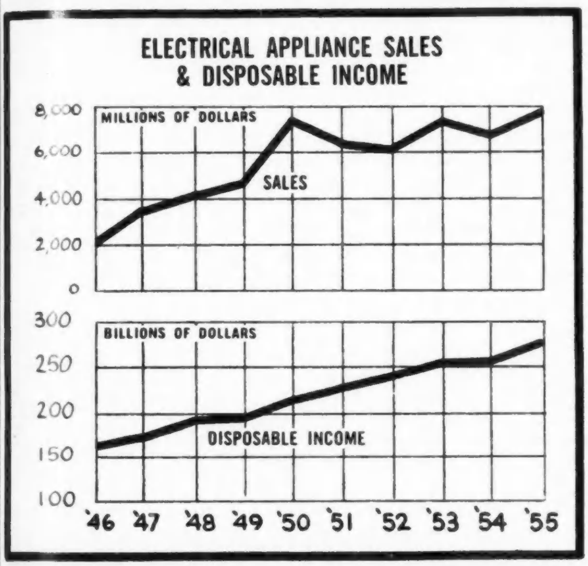
PAPER — In 1955, sales of paper and allied products manufacturers rose a healthy 12% above 1954, to the highest level on record. Production rose by about an equal percentage, also to the highest level on record. Selling prices, which were relatively stable in the first half of the year, climbed sharply in the last half, and the industry enters 1956 with greatly improved margins on most products.

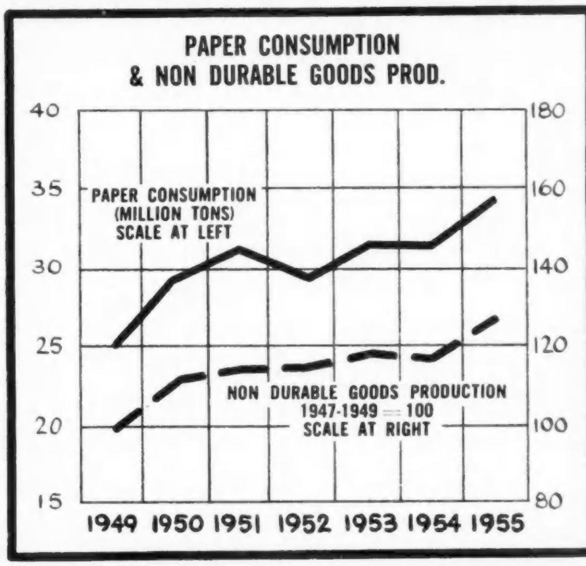
The outlook for 1956, for sales, prices and earnings, is excellent. In its unobtrusive way, the paper industry has become one of the nation's great growth industries, and the growth is not likely to be stunted in the coming year. A large number of the industry's major products — fine paper, printing paper, coarse paper, newsprint — are in short supply, or in an inadequate inventory position (which accounts for the recent price uptrend). New uses for paper continually exert an expanding demand on raw materials and, it might be noted, elections exert a significant upward pressure on paper demand from the printing and publishing industry.

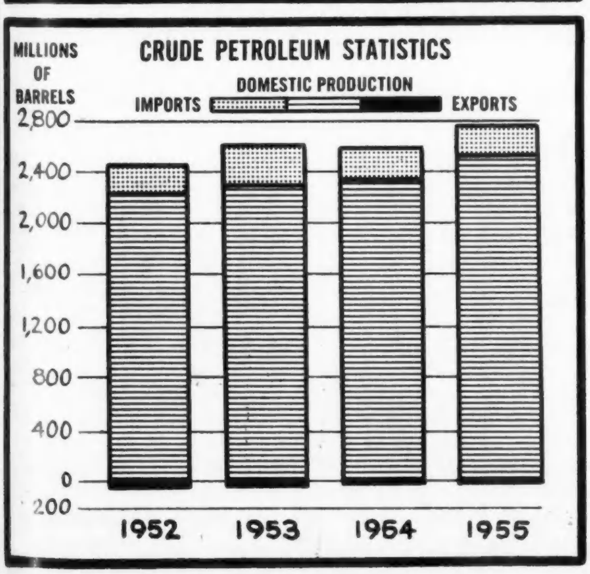
Certain of the industry's products — paperboard and boxboard, and building papers — are likely to experience a relatively (*Continued on page* 532)

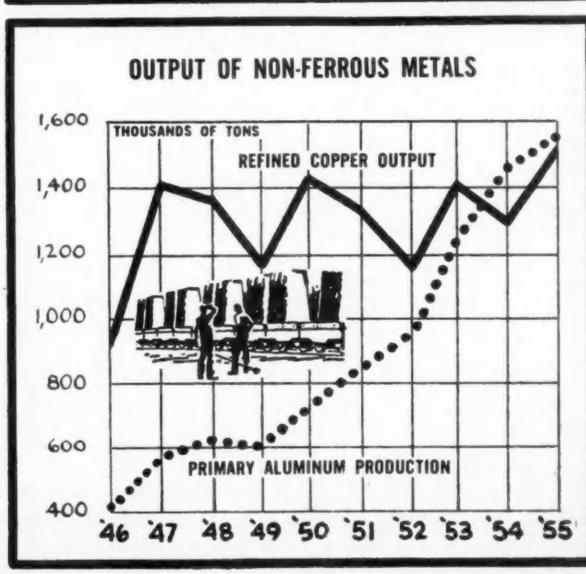

FARM MACHINERY SHIPMENTS & RAILROAD PURCHASES OF SUPPLIES & EQUIPMENT
MILLIONS OF DOLLARS
RAILROAD PURCHASES OF SUPPLIES & EQUIPMENT
FARM MACHINERY SHIPMENTS
3,500
3,000
2,500
2,000
1,500
1,000
500
'46 '47 '48 '49 '50 '51 '52 '53 '54 '55


TEXTILE ACTIVITY
1947-49 = 100
INDUSTRIAL PRODUCTION INDEX
TEXTILE OUTPUT
140
130
120
110
100
90
1949 1950 1951 1952 1953 1954 1955


ELECTRICAL APPLIANCE SALES & DISPOSABLE INCOME
MILLIONS OF DOLLARS
SALES
8,000
6,000
4,000
2,000
0
BILLIONS OF DOLLARS
DISPOSABLE INCOME
300
250
200
150
100
'46 '47 '48 '49 '50 '51 '52 '53 '54 '55


PAPER CONSUMPTION & NON DURABLE GOODS PROD.
PAPER CONSUMPTION (MILLION TONS) SCALE AT LEFT
NON DURABLE GOODS PRODUCTION 1947-1949 = 100 SCALE AT RIGHT
40
35
30
25
20
15
180
160
140
120
100
80
1949 1950 1951 1952 1953 1954 1955


CRUDE PETROLEUM STATISTICS
MILLIONS OF BARRELS
DOMESTIC PRODUCTION
IMPORTS
EXPORTS
2,800
2,400
2,000
1,600
1,200
800
400
0
200
1952
1953
1954
1955


OUTPUT OF NON-FERROUS METALS
THOUSANDS OF TONS
REFINED COPPER OUTPUT
PRIMARY ALUMINUM PRODUCTION
1,600
1,400
1,200
1,000
800
600
400
'46 '47 '48 '49 '50 '51 '52 '53 '54 '55

Low Labor-cost Companies—

A Hedge Against Wage Inflation in 1956

By JOHN T. WARD

Developments since the end of World War II which have seen average hourly earnings for workers in all manufacturing industries rise to $1.93 from $1.83 a year ago and $1.05 at the end of the war have made it obvious that wages have steadily assumed greater importance as an investment factor.

The bitter labor struggle at Westinghouse Electric Corp. serves as an example which brings into focus the battle that may well develop on a much broader scale this year between unions and management over the question of wage increases.

Record earnings achieved by industry in 1955 provide a target as big as the side of a barn for labor leaders to aim at in their quest for more wages. Notice has already been served that stiff demands will be made on the steel and auto industries. Settlements favorable to labor could be expected to be used to set the pattern for negotiations with other groups of industries.

Merger of the American Federation of Labor and the Congress of Industrial Organizations has created a stronger organization fighting for labor's demands although in some respects complete unity is far from accomplished and internal feuds will certainly continue for some time.

In contrast to last year's drive when objectives centered around fringe benefits like guaranteed annual wage and more liberal pension plans, the current strategy of labor leaders seems to be a desire to hammer out increases in direct hourly pay schedules which would be reflected immediately in workers' pay envelopes.

The fundamental investor who does not watch market ripples but uses funds to acquire holdings in companies that promise to show better than average results over an extended period should, therefore, examine the labor situation of each company before drawing any conclusions as to the investment quality of its common stock.

With labor expected to make good-sized gains this year or wage a long fight to attain their objectives, those companies which have the lowest labor costs will be least vulnerable to any cost rise which such increases would generate. Furthermore, they would not be as averse to making a quick settlement, if necessary, to protect operations against a costly shutdown.

Importance of Wage Factor

Of course, payroll costs are only one of many factors which must be examined to complete an investment appraisal of the prospects for each company. However, with wages and salaries ranging from as low as 10 per cent of sales for some firms to more than half of sales for other corporations, it is evident that a rise in wage payments would not leave a uniform impact on earnings throughout industry. Those companies with the lowest labor factor would probably be the least affected.

Thus, big volume consumer industries like food packing, tobacco, drugs, retail food chains and meat packing, have relatively low labor costs as do processing industries like petroleum and chemicals which lend easily to automatic operations.

Industries in which wage and salary payments account for a large part of total expenses include office equipment, steel, air transportation, autos, auto parts producers, tires and rubber, machinery and machine tools, textiles and electronics.

If we assume that stiff union demands are to be presented this year, then the conclusion must be drawn that the low-labor cost companies provide a hedge against any possible adverse results on corporate earnings which could develop as a result of higher hourly pay or work stoppages.

Low labor cost alone does not provide a suitable basis for judgment about the value of any particular issue or industry. Companies which have small payroll expense but also work on narrow profit margins may be no more of a hedge than those with

expensive labor charges and wide profit margins. National Biscuit Co., for example, pays out about 33 per cent of its sales to employes while profit margins before taxes amount to 12.5 per cent. Pillsbury Mills, Inc. in its latest year made wage payments totaling 11 per cent of sales leaving a margin of only 4 per cent of each dollar of sales to cover taxes, dividends and reinvested earnings. An increase of 10 per cent in employment costs would cut the Pillsbury pre-tax earnings by 28 per cent while a corresponding gain in wage costs for National Biscuit would reduce earnings before taxes by 27 per cent.

The record of General Mills reveals that rising wages do not necessarily result in a heavier payroll burden. Since 1941, the wage, salary and retirement benefits per employe of the large food processor have jumped 2.5 times. Yet rising prices and bigger volume of output helped keep these costs under control as sales increased 4 times in the identical period and net income before taxes rose 3.9 times.

Comparative Labor Costs

	Labor Cost as % of 1954 Sales
BAKING Average—	27%
Continental Baking	35
General Mills	13
National Biscuit	33
CHEMICALS Average—	24%
Allied Chemical	25
Commercial Solvents	20
Dow Chemical	27
Hercules Powder	27
Hooker Electrochemical	26
Jefferson Lake Sulphur	22
CONTAINERS Average—	27%
American Can	27
Continental Can	27
DRUGS Average—	32%
Abbott Laboratories	29
Parke, Davis & Co.	35
Schering Corp.	34
FOOD PRODUCTS Average—	16%
Corn Products	18
General Foods	13
Penick & Ford	16
MEAT PACKERS Average—	13%
Armour & Co.	13
Swift & Co.	14
Wilson & Co.	13
PAPER & PULP PROD. Average—	23%
Container Corp .of Amer.	21
Crown Zellerbach	24
International Paper	23
Rayonier	23
PETROLEUM Average—	13%
Gulf Oil	13
Sinclair	13
Skelly Oil	11
Socony Mobil Oil	15
Texas Co.	14
RETAIL TRADE Average—	11%
Montgomery Ward	16
National Tea	10
Safeway Stores	8

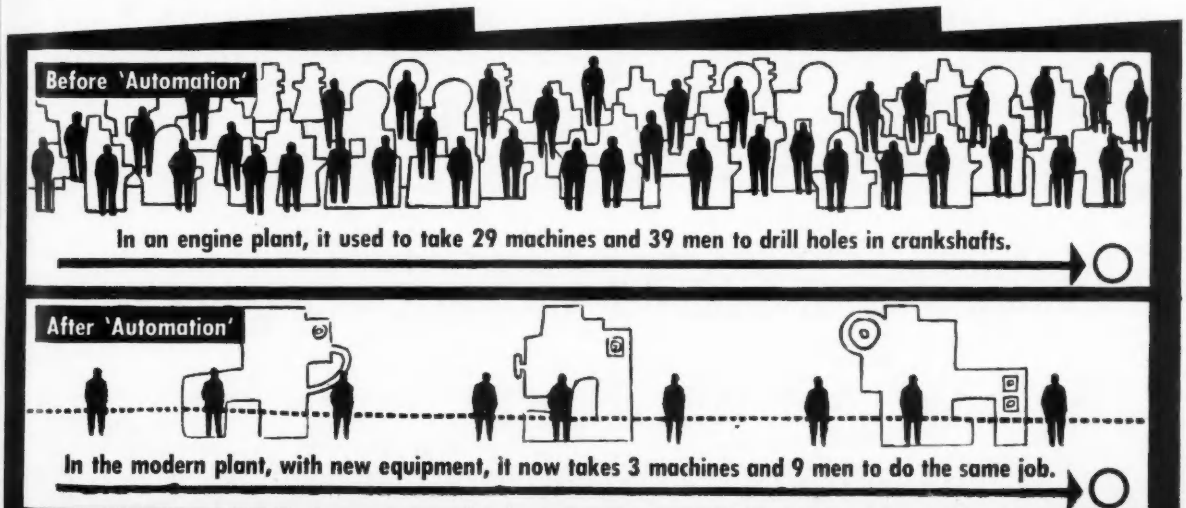
Beneficiaries of Higher Labor Costs

An investment portfolio can be hedged against rising labor costs, too, through the purchase of shares in companies which are likely to benefit from industry efforts to raise productivity and in that manner minimize higher weekly wage and salary payments. Producers of office equipment and machine tools are among those which would receive sizeable orders from manufacturers faced with the problem of sharply rising labor costs.

Should labor be the victor in its challenge for wage increases, another group of companies which might receive powerful earnings stimulants are those making consumers goods like home furnishings, cosmetics, appliances and television. The public, already in a spending frame of mind, could easily be convinced to step up purchases if it had confidence in a greater weekly paycheck.

The electronics industry, as the backbone of the trend toward automation, would probably be a major beneficiary of any widespread trend to curb labor cost rises. Electronics producers, themselves, are spearheading a move to install automatic assembling equipment. Based on use of printed circuit techniques, machines have been developed that perform the printing and wiring function. Other equipment automatically inserts the tubes, resistors and condensers in the proper slots and then solders the connections on the printed circuit board.

The Plymouth V-8 engine assembly line at a new plant in Michigan which was opened last summer provides visible evidence of labor savings that can be achieved through use of automated operations. There are far fewer works on this line which stretches for nearly a quarter of a mile than on any comparable assembly line because machinery supplied by Cross Co. is used to a far greater extent than ever before (*Please turn to page* 532)



LOW FARM INCOMES

By "VERITAS"

INDUSTRIAL EXPANSION into rural areas to help solve the problem of low-income farm families (by making it possible for underemployed farmers to supplement their earnings with factory jobs during off seasons) is having top priority on the Department of Agriculture "study" level. Nothing new in the basic thought, the Department concedes. But True D. Morse, Assistant Secretary, claims the subject hasn't been approached intelligently and courageously in the past. He has made a start on it. Finding the right types of willing industries isn't easy.

WASHINGTON SEES:

The spirit of moderation was missing as Congress came to order. The speed with which Adlai Stevenson's party-rallying cry had been junked was, perhaps, a better forecast of Democratic attitude than would be the votes on early major legislation. It had been the first time one of Adlai's speech figures had spun itself into the ground under the momentum of attack by fellow partisans, who wanted it clearly understood that they leaned more to Leo Durocher's guide, "Nice guys don't win pennants!"

Moderation is a shorter way of saying middle-of-the-road. But its rejection raises a question: can the Democrats in Congress fight the White House programs and, at the same time, claim that Ike has merely appropriated to himself the things that are Democratic in inception? Prosperity, they say, is the fruition of beginnings made in the Roosevelt-Truman days; the foreign policy was evolved in the New Deal-Fair Deal days, is basically good but mismanaged.

It's obvious that Stevenson had in mind a whole category of things of which the two cited are only representative, when he spoke of a spirit of moderation. Maybe he didn't want to be blunt and call it "consistency." When Adlai was forced to retreat to the storm cellar, the suggestion of bi-partisan approach to the solution of national problems — foreign affairs included — went into deep storage.

Naturally the Republicans in Congress are playing for keeps, too. And this is only the beginning of a session that may run to Aug. 1.

CENSUS BUREAU data for 1950 brought out the alarming fact that 1.5 million farm operators had incomes of less than $1,000 in the year enumerated (1949). Even with food raised and consumed on the homesite, that isn't subsistence. The Department isn't opposing any legislation but wants Congress to know that it won't be easy to get industry out into the countryside with all its economic inconveniences if the dollar-an-hour minimum wage applies to unskilled, part-time hands.

TAX STUDIES are intriguing Congress. On the House side, excises, "loopholes," and administrative and collection problems are subjects of review before separate subcommittees. Now comes the Joint Committee on the Economic Report with what seems like a sound suggestion: cover the entire field at once. Asked would be additional data on economic effects of taxes, their influence on economic growth and stability. Taxes of all kinds now take one-fourth of the gross national product, which would seem to make this the largest single cost-of-living item.

STATE DEPARTMENT is much encouraged following analysis of the recent Filipino election in which President Magsaysay and his pro-American, anti-communist policy won sweeping indorsement. In the present state of political and economic unrest in the Philippines, it was expected that Magsaysay might take the path of least resistance, campaign on local issues. But he forced the test on policy in an area of Red political concentration.

As We Go To Press

Political parties and political individuals are jockeying for preferred positions as the new Congress gets underway in a Washington atmosphere charged with partisanship and uncertainty. The next nine months will witness a gigantic political rally. On the democratic side the advantage, in this rally, is seen favoring the democrats who at least believe they have determined upon their candidate, Adlai Stevenson, and can concentrate on the breakdown of their opposition. Unless President Eisenhower announces very soon, the republicans will assist the democrats in their objective, by staging a family brawl. If Ike's word is no, the brawl is on anyway.

With business activity and tax revenue both running on the favorable side, the question non-professionals will want answered is: What of taxes? In the last quarter of 1955 the betting was overwhelming that sharp tax reductions would be voted. That still seems to be a good forecast with the adjective "sharp" thinned down a bit, but there has been growing emphasis on the argument that a period of high tax income should be employed by the Treasury, first to cut back the enormous national debt. Those subscribing to that school of thought remind that it not only is sound business but also has hard, cold practical support: restore a cushion for borrowing and spending if business should drop abruptly.

Nobody is going to receive a substantial tax cut by reason of anything the current session does. The democrats are talking in terms of a "big" reduction, translating that to mean building the $600-per-person exemption to $800. That would mean a $40 nibble off the individual's federal tax bill, about $1 a week less in withholding. Treasury people say that, admittedly small though it might be, a $200 add to the present exemption would lop millions of names off the taxable rolls. Corporations may expect to see a good, and losing, fight made in their behalf. On Capitol Hill there must be very few legislators who do not recognize that a 52 per cent tax is unrealistic, but politicians shed few tears for corporations in an election year. Stockholders, the ones really socked, are not organized to tell the story of dividend dollar flow and no effective answer ever is made from the floor, in debate, when the corporation is pictured as some huge, abstract being.

Interesting to watch in the current session will be the attitude of organized labor's leaders on the Taft-Hartley Act. The pattern has been established in other recent years. It will be labeled a "slave labor law" but only for the purpose of creating a rallying point for labor opposition to the GOP. They really won't mean it and they won't fight hard for the ostensible goal of repeal. The so-called leaders have no true mandate from rank-and-file members on T-H position. But political opposition can be attacked through a phony repealer effort.

Next in the labor field is the Fair Labor Standards Act. In 1955, Congress raised minimum wages for covered workers to $1 an hour. This, says Secretary James P. Mitchell, will make it harder to get through an expansion-of-coverage program. But the Secretary will be in there trying. This will be the Administration's principal bid, legislatively, for the labor vote. The unions thought they had White House and Labor Department support for greater coverage last night. They read in a Presidential Message, and a Mitchell comment, a firm backing. On re-reading they found each had recommended "study" of the wisdom of expansion. Ike and Mitchell have gone all the way this year in recommending the expansion.

It became clear in the very first days of the new session that an expansive, and expensive, highway program will command top attention on the

legislative calendar. There will be a national highway bill. It will be neither large nor satisfactory to the states because it will attempt to reconcile violently opposed fiscal theories, result in hodgepodge. Ike would like to devise some way for Federal aid which wouldn't involve too much direct commitment or show up on the "bills payable" side of the Treasury book. The states are showing complete disinterest in bookkeeping. The states will concede more than Washington will in the ultimate draft.

Highway bills, like river and harbor improvements, are very often tagged as "pork barrel" measures. With some justification. But the Interstate Highway System is more than this; it is recognized as an important economic and defense bulwark. It now comprises more than 40,000 miles of roadway. That's 1.2 per cent of the country's total road mileage. The System joins 90 per cent of all cities of more than 50,000 population, and 42 state capitals. National defense needs of the System are stressed by the Pentagon, yet the U.S. Bureau of Roads says only 15 per cent of the total mileage of the System meets acceptable standards, 85 per cent of it is antiquated.

Broadening of Social Security benefits, with attendant addition to payroll costs, definitely is in the cards for this year. The House already has voted substantial coverage and per-beneficiary increases — women and disabled persons included. Again, liberalization is steeped in political motive. Little attention is being given to the economic aspects. The Senate has not approved the House program. There will be a fight on some non-basic questions, but it will surprise Capitol Hill if the Senators don't go along. The House bill would increase Social Security taxes by one-half per cent each year until 1975. Clearly, this is in the European pattern.

Many of the Hoover Commission recommendations are nearing the adoption stage. If approvals are numerous enough, enough and selectively made, billions will be saved and many of the antiquities of Federal operation will be wiped out. To save money may mean cutting down on jobs and services and that's the rub. Congressmen don't like loss of patronage. One of the many recommendations to be considered will be based on a study of needless, and costly, reporting forms required by government agencies. Businessmen would benefit not only as taxpayers but also in money saved in the operation of their own companies.

Neither House of Congress is showing early disposition to tackle the contentious national transportation issue. The session may end without anything definitive. Three bills are pending in Congress to implement recommendations of the President's Committee on Transport Policy. ICC has sent its views and recommendations to Capitol Hill. The Commission wants more regulation, not less; ICC doesn't like the latitude it is proposed to give railroads to write their own rate tickets, carrying some tonnage at less than cost and making up on the more profitable traffic.

The Federal Trade Commission wishes to enlarge its importance in the business picture, reach beyond the false advertising policing role and into bigger endeavors. It's now reported that the Commission will ask an increase of $1.5 million in its budget, to pounce on antitrust violators and dissect mergers in search of statute evasions. But the Justice Department isn't going to release any of its jurisdiction. It will renew its petition to the Budget Bureau for a larger staff payroll, more lawyers and accountants for Judge Stanley Barnes' antitrust offices. If the Trade Commission gets its requested money it will set up a merger division. That promise will be appealing to Congress, may turn the trick. Capitol Hill frequently overrides the Budget Bureau.

The Budget Bureau, by the way, has had to abandon its paring knife approach to payroll economy and tackle budget petitions with a meat-axe. The Internal Revenue Service wants to blossom out with a tax collection program which will reach delinquents, large and small. That means a small army of agents. But the Bureau has been given figures on results of recent, smaller payroll expansion: each new appointee has brought in many times his salary.

Canadian Economic Trend in 1956

By V. L. HOROTH

Never in history have the nationals of one country participated in the economic growth and in the development of the national resources of another to the extent that U. S. private individuals and corporations have done in Canada. Largely as a result of new capital inflow and the reinvestment of earnings, the American stake in Canada expanded during the five-year, 1950-54, period at an annual rate of nearly $700 million, reaching the $9.6 billion level at the end of 1954. In 1955, one may assume on the basis of preliminary figures, another $650 million or so were invested, bringing the U. S. stake in Canada to the unprecedented total of some $10¼ billion.

Presumably somewhat under two-thirds of U. S. capital in Canada represents direct investments in Canadian mines, forest lands, oil fields, and manufacturing industries. Control over some 3,250 branches and subsidiaries of which these investments are comprised is retained on this side of the border. The remaining third of U. S. capital invested in Canada consists of U. S. holdings of Canadian government and municipal bonds, investments in public utilities, holdings of shares of Canadian-owned or controlled corporations, and miscellaneous investments. It has been estimated that U. S. interests exercise control over some 50 per cent of Canadian mining and smelting capacity, while in the case of manufacturing U. S. citizens are said to control close to 40 per cent.

U. S. capital has played an important, and in the case of petroleum and uranium a decisive, role in the development of Canadian resources and manufacturing. This has been partly because Canadian investors have tended to shy away from risky investments, preferring bonds and real estate. Such noted Canadian economists as Mr. J. Douglas Gibson of the Bank of Nova Scotia admit that the Canadians have been too slow to recognize the potentialities of their own country and that American capital and know-how have permitted more rapid and efficient development of the country's resources than would otherwise have been possible.

Magnitude of U. S. Investments Creates Problems

The very magnitude of the American stake in Canada, however, creates problems which may grow more serious and perplexing as time goes on.

Canada's economic future has become the concern of a widening circle of U. S. investors. Since some 20 per cent of Canadian national production must be exported, as against 5 per cent for the United States, Canada's ability to produce efficiently and to compete successfully is of vital importance to her economic well-being. The biggest export market by far has been the United States, and here the U. S. investor may find that the protectionist trade policies of his own country are not always geared to help his investment.

As Mr. James Muir, Chairman of the Royal Bank of Canada, pointed out recently in the London Financial Times, "the establishment of many externally owned firms often leads to heavy imports of parts and materials from abroad, and to various payments abroad for royalties and for managerial and professional services. Further, interest and dividend payments abroad tend to rise." In 1955 such payments are estimated to have reached $480 million, but no strain has developed as a result in Canada's balance of payments.

Another problem of foreign direct investment, as Mr. Muir puts it, is that "it denies, or at least restricts, the right of the Canadian investor to participate directly in his country's development. There have been complaints recently that too many outside owners do not make the shares of their subsidiaries available to the public." In other words, the Canadians are none too happy about the absentee ownership of their resources and absentee management of

Post-war Capital Flow to Canada

(In Millions of Dollars)

	From the United States 1946-54	From All Countries 1946-54
INFLOW:		
Direct investments by non-residents	$1,667	$1,945
New Canadian securities sold	2,113	2,166
Net sales of old Canadian securities	464	489
Proceeds of liquidation of Canadian holdings of foreign securities	127	110
Gross Capital Inflow	$4,371	$4,710
OUTFLOW:		
Retirements of Canadian securities held by non-residents	$1,818	$2,069
Canadian direct investments abroad	52	178
Canadian Govt. loans & credits (net)	—	967
All other capital movements	430	463
Gross Capital Outflow	$2,300	$3,677
Net Capital Inflow	$2,071	$1,033

Based on figures of the Dominion Bureau of Statistics

their factories. No trouble is likely to ensue, however, as long as Canada and the United States believe in the same things and pursue the same goals.

Mining and Forest Industries Forging Ahead

One could easily let oneself be carried away and describe the current situation in Canada in glowing terms. Recovery from the 1954 business recession has been far greater than expected and the year 1955 was easily the best on record. During the last quarter, the gross national product reached the unprecedented annual rate of almost $27 billion, compared to $23.9 billion for 1954. New records are expected to be established in 1956, though the rate of expansion, as in the United States, may slow down somewhat. The rate of capital investment in new plants and equipment, which reached the peak of $6 billion in 1955, greater than the rate of investment in all Latin America, is expected to continue.

Nevertheless, despite all these records and prospects, Canada is not quite the "Eldorado" that the average U. S. investor believes it to be. There are problems. There is still disturbing unemployment in some areas and Canadian secondary manufacturing industries, such as textiles, are finding it difficult to produce competitively.

Among the sectors of the Canadian economy which have been advancing faster than the rest and which were also unaffected by the 1954 recession are (one) housing and construction, which, reflect not only the high level of investment activity in new equipment and plants but also rising living standards, and (two) the output of mineral and forest products, which has been buoyed by the demand from the United States and Western Europe. The value of mineral output, helped partly by higher prices, rose in 1955 almost 20 per cent to $1.8 billion and is expected to reach the $2 billion level in 1956.

Canada's aluminum industry, which owes its existence to unbeatably low-cost hydro-electric power, has continued to set the pace. However, partly because of the drought in Quebec and partly because of the growing demand, the largest producer, the Aluminum Co. of Canada, had to ration its customers. This tight supply situation apparently led to the decision last October to speed up the expansion of the Company's aluminum making facilities, and an additional $200 million is being invested, chiefly in the Kitimat project in British Columbia. Meanwhile, British Aluminium Ltd. has announced plans to build a huge plant, to cost $130 million, near the mouth of the St. Lawrence River. Some of the American aluminum producers also are looking for suitable plant sites.

The output of copper has been spurred by high prices, and its value, nearly one fourth of a billion dollars, is now second only to that of petroleum. The Iron Ore Company of Canada, which began to exploit its Labrador properties in 1953, produced almost $100 million worth of iron ore in 1955, nearly twice as much as in 1954. With other properties being developed, Canada is on the way to becoming one of the largest iron ore producers in the world. A new record was also established in the output of asbestos—even without bringing into production the recently discovered deposits in British Columbia. The value of uranium ore produced in 1955 was put at almost $50 million, making it the tenth most important mineral product from the viewpoint of value.

Marketing Still Problem for Petroleum and Gas

Marketing continues to be the big problem of Western Canada's petroleum and natural gas industries. Although some important discoveries were made during the 1955 in the Pembina and the Peace River areas and another $350 million was invested in new facilities, the hectic pioneering days seem to be over. Actually, the output of petroleum, which could supply about 80 per cent of Canada requirements were facilities available, is kept down to about 60 per cent. In Alberta only about half of the 500 wells capable of producing natural gas are in production. However, the marketing problem for natural gas is on the way to partial solution as a

U. S. Long-term Investments in Canada

(All figures in billions of dollars)

	End of 1939	End of 1945	End of 1954	Estimate End of 1955
Direct Investments:				
Manufacturing	$1.0	$1.3	$3.1	$
Mining and Smelting	.2	.3	1.3	
Others	.6	.7	1.3	
Total	1.8	2.3	5.7	6.3
Government's Municip. Bonds	1.2	1.5	1.8	
Public Utility and Other Portfolio Investments	1.0	1.1	1.6	
New Invest. Funds	—	—	.1	
Miscellaneous Investments	.2	.1	.3	
Grand Total	$4.2	$5.0	$9.5	$10.2

Based on the figures of the Dominion Bureau of Statistics

result of the approval of the U. S. Federal Power Commission on marketing natural gas in this country and a deal with U. S. pipeline companies. Work on the $375 million Trans-Canada natural gas pipeline which will deliver natural gas to the Pacific Northwest and also to Eastern Canada is to begin this coming spring.

Canada's forest industries, including pulp and paper, continue to be the largest earner of dollars and, next to agriculture, the most important single economic sector, generating, directly or indirectly one in every seven dollars in the income of all Canadians. With U. S. production of newsprint and paper showing signs of levelling, Canadian producers have been getting more U. S. business than they can handle with present capacity. Although costs have risen, a substantial increase in prices—widely protested by U. S. publishers—will undoubtedly make the industry prosperous in 1956. However, expansion of newsprint capacity, which requires huge capital investment poses a formidable problem for the future.

The Canadian construction industry, now a $5 billion giant, also smashed all previous records in 1955, reflecting an unprecedented private housing boom, stepped-up investment in public utilities, and government spending on institutional building. Among the largest projects now under construction are the St. Lawrence Seaway, the Trans-Canada highway, the extension of the Pacific Great Eastern Railway into the Peace River area, and the Hydro-Quebec project on the Bersimis River.

Harder Going for Manufacturing Industries

In contrast with the boom in mining and primary industries, the situation in Canada's manufacturing industries has continued to be spotty, even though the index of manufacturing established a new record in 1955. Some industries are doing fine. The aircraft industry, introduced from Great Britain during the war, is meeting competition everywhere. The chemical industries, based on low-cost petroleum and natural gas, are also rapidly expanding and diversifying, so that a much larger percentage of the domestic market is now served by local products.

On the other hand, textiles, household and electric appliances, and heavy equipment including steel, machinery and metal processing industries face some real problems. In the first place, they are confronted with wage standards set by the prosperous primary and construction industries. Yet, because the Canadian market is still rather narrow, these industries are not always in a position to obtain the economies of large-scale output. Second, they are faced with increased competition from Western European and United States producers not only in foreign markets but in their own home markets as well. In fact, some Canadian manufactures, particularly textiles, have by now been largely excluded from world markets. The U. S. market for Canadian farm equipment has shrunk sharply. Hence it is natural that many Canadian manufacturing industries are demanding greater protection and/or freer access to the United States market.

There seems to be no simple way out. The Canadians do realize that by giving additional protection to their manufacturing industries they may be increasing costs for other industries and for consumers as well. In fact, the danger of inflation in Canada, which has a simpler, narrower economy, is just as rampant as in the United States. On the other hand, the Canadians would like to see a broader development of secondary manufacturing industries. They have had periodical bouts with unemployment, which in 1954 and even in 1955 was proportionately far more serious than in the United States. Also they do not want to put all their eggs in one basket and see their prosperity dependent on exports prospects to the U. S. market.

Shrinking Markets for Farm Products

The current farm situation in the Prairie Provinces may be a factor in reversing the postwar Canadian policies of deliberately encouraging imports from Western Europe in order to facilitate overseas sales of Canadian raw materials and foods. The farm income in the Prairie provinces has been declining despite fine crops of wheat and other bread grains and, as in the United States, the trend seems to be toward fewer but (*Please turn to page* 538)

Canada's Mineral Output

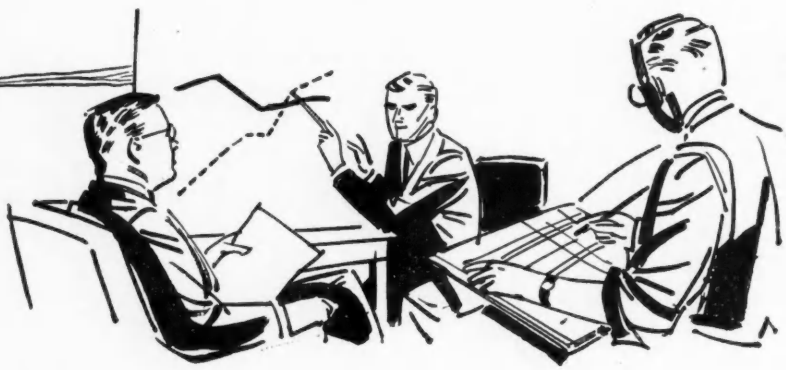
Volume of Production

	Gold	Nickel	Copper	Zinc	Lead	Iron Ore	Coal	Asbestos	Petroleum	Aluminum
	mil. oz.	mil. lbs.	mil. lbs.	mil. lbs.	mil. lbs.	mil. tons	mil. tons	000 tons	mil. barrels	mil. lbs.
1946	2.6	192	368	471	354	1.6	17.8	558	7.6	386
1950	4.3	247	528	626	331	3.6	19.1	875	29.0	794
1954	4.16	317	606	747	439	7.3	14.9	924	96.0	1,113
1955*	4.7	347	660	870	......	14.0	......	1,000	129.0	1,350
Value of Production in Millions of Dollars										
1946	104	45	47	37	24	7	75	25	15	59[e]
1950	169	112	123	98	48	23	110	66	85	141[e]
1954	153	180	174	89	59	47	96	83	246	245[e]
1955*	159	210	240	110	......	100	......	91	......	300[e]

*—Preliminary; [e]—estimated

Note: The value of uranium production in 1955 was estimated at $48 million

What to do About Low-Yield Stocks



By WARD GATES

The question of what to do about low-yield stocks cannot be answered by a simple formula. The question really should be put: *Who* shall do *What* about *Which* low-yield stocks?

Are we considering the investor whose portfolio holdings of high-quality stocks with a low yield were acquired at much lower prices and who is now undecided as to whether he should accept all or part of his profits?

Or, are we considering the investor, who is bogged down in highly speculative issues which pay very little in dividends and which yield little?

Then again: Are we considering the investor with new and ample cash at his disposal, who is not faced with either of the above problems but rather is confronted with the problem of making new investments at a time when the best grade stocks are selling out of sight and yield a correspondingly small return?

We can get an idea of the scope of the problem of what to do about low-yield stocks from the number of types of individual investors. Basically, however, the problem resolves itself down to whether either to (1) hold (or sell) or (2) buy. It would be permissible to answer this question in three diametrically different ways and each answer would be correct, depending on the individual investor and his particular needs. Thus, in the case of Stock Z, yielding 3% or less and selling 200% to 300% above a few years ago, it would be possible to say that investor A should continue to hold, no matter how large his profit; Investor B should accept part or all of his profits; and Investor C, regardless of what Investor A or B did, would be justified in considering purchasing of the stock, under certain conditions. That we have here three differing answers to the same question is based on the fact that each of the three investors sees the problem in different terms, according to his own circumstances.

Investor A with his eyes set only on long-term capital gains, with a profitable business or profession or substantial salary, is principally interested in the fact that, at the prices bought, stock Z is yielding him a good return. The fact that the current return is small is of little concern to him, since he is intent only on holding and not buying. Therefore, he could, logically, decide to sit with his stock and wait out any temporary market setbacks. Accordingly, the correct position for this investor is to hold stock Z.

Investor B on the other hand believes stock Z, for the time being, has exhausted its market potentials and is not willing to sit through a major reaction. He is perfectly satisfied to give up 25% of the profit (in capital gains tax) for he believes he is selling at or near the peak. Or, he may decide to straddle; that is to say, he may decide to accept only part of his profits and mark down the cost on the rest which he will hold.

Investor C who has never owned stock Z believes that it has excellent long-range potentials, despite its previous advance and that it would make a good long-term investment. He is quite aware, of course, that there is a risk in buying after a long advance. Still, if he waits to buy the stock at a substantially lower price, he reasons that the opportunity may not be realized. What he can do is to use the "dollar-averaging" technique. That is, he can buy some of the stock and then purchase at different intervals and at lower market levels if these should eventuate.

What the Ratings Signify

We cite these various versions of what can be done concerning the same low-yielding stock. Obviously, only the investor himself can make the decision that is appropriate.

In the accompanying table, we have listed a mixed

33 Low Yield Stocks

	Price—Times Earnings Ratio(*)	Price Range 1954—1955	Recent Price	Indicated Dividend	Div. Yield	Rating
Amerada Petroleum	23	115¼-82	94	$2.00	2.1	P
Aluminium Ltd.	20	119¾-47	103	2.20	2.1	P
Aluminum Co. of Amer.	23	88 -29⅜	83	1.20	1.4	P
Austin Nichols	15	14½- 5	11	.20	1.8	S
Corning Glass	21	73¾-35	69	1.50	2.1	P
Diamond T Motor	40	22¼-10⅜	20	.25	1.2	S
Dow Chemical	36	60½-33⅜	60	1.00	1.6	T
Duplan Corp.	....	12⅝- 7	11	.10	.9	S
Eastern Air Lines	10	58 -21⅝	51	1.00	1.9	P
Filtrol Corp.	16	67¾-14⅝	64	1.20	1.8	P
General Cigar	12	38¾-17⅞	37	1.25	3.3	S
Granby Consol.	16	23 - 7	19	.50	2.5	S
Hercules Powder	19	148 -68	134	3.30	2.4	P
Hertz Corp.	17	34½- 7¼	31	1.00	3.2	S
Heyden Chemical	17	20⅜-14⅜	19	.50	2.6	S
Hooker Electrochemical	25	44½-19	40	1.00	2.5	T
Johnson & Johnson	15	85 -59½	78	1.65	2.1	T
Kayser J.	....	25¼-12½	20	.25	1.2	S
McIntyre Porcupine	25	91 -54½	82	3.00	3.6	P
Minneapolis Honeywell	25	70 -33½	65	1.50	2.3	T
Minn. Mining & Mfg.	26	115 -55¼	109	1.80	1.6	P
Morrell (John) & Co.	6	23⅛-11¾	20	.50	2.5	S
Norwich Pharmacal	15	51½-19⅞	46	1.40	3.0	P
Owens Corning Fiberglas	28	98 -50	93	1.00	1.1	T
Real Silk Hosiery	....	42 -26	34	.25	.8	S
Reliance Mfg.	15	21⅞- 8¼	18	.50	2.7	S
RKO Theatres	33	12 - 4½	10	.25	2.5	S
Royal Dutch	9	88⅝-55¼	84	2.10	2.5	T
Schering Corp.	12	57¾-11½	52	.75	1.4	P
Seaboard Oil	28	59½-28⅜	56	1.00	1.8	P
Thompson Products	14	60½-24¾	56	1.40	2.5	P
Trane Co.	26	59½-18½	47	1.00	2.1	P
Visking	16	127 -57	119	2.75	2.3	P

RATINGS: S—Nominal yield—speculative and unattractive.

P—If held, should be only with view toward long-term capital gains. For individuals interested in shorter-term considerations, profits may be taken.

T—New purchases may be made but should be reserved for "dollar-averaging" only.

* Based on estimated 1955 earnings.

5 Good-Yield Stocks Recommended for Replacement of Low-Yield Stocks

American Tel. & Tel.	15	187¾-156	180	9.00	5.0
American Tobacco	11	82½- 55	81	4.40	5.4
Curtiss-Wright 'A'	2	36¼- 25	34	2.00	5.9
Duquesne Light Co.	15	38 - 28¼	34	1.80	5.2
Norfolk & Western	10	61⅞- 39⅝	60	3.75	6.2

group of stocks with yields well below the minimum generally acceptable to ordinary investors. The stocks have been selected as a cross-section of two groups: (1) good to high-grade stocks with low-yields and (2) speculative issues with low-yields.

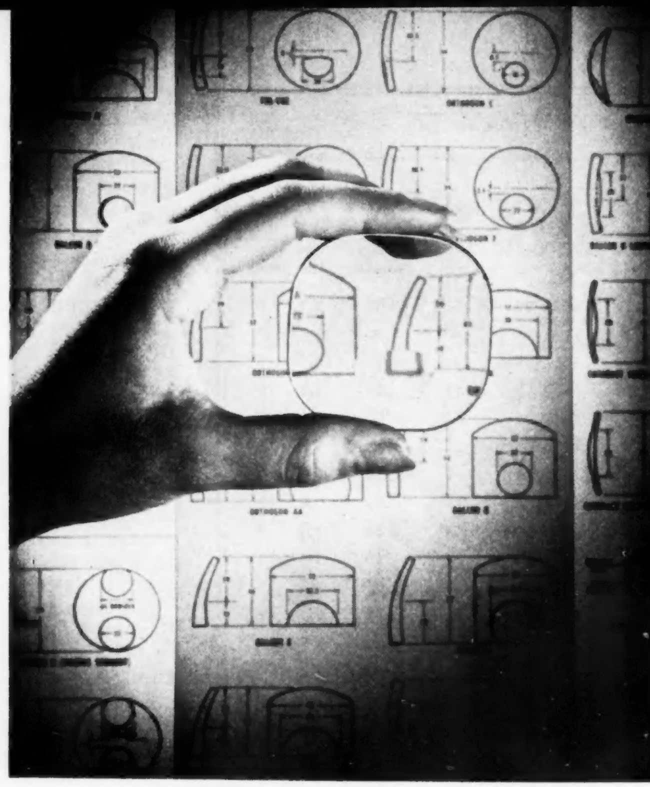
Generally, speculative stocks are associated with high yields but there are also a number in which the current return is exceptionally low for this class of stock. When this condition exists, it is usually attributed to special situations in which there is either a fight for control, a merger in the offering, or the possibility of an outright sale to some other company. In these conditions, current earnings or the actual dividend play little part. Therefore, stocks in this group can sell at relatively high prices to offer correspondingly low-yields in response to individual developments of the sort just enumerated. Obviously, the element of speculation is intensified. Since there is no attraction in the yield, investors must consider whether new developments of a special order are pending which would justify purchase of the shares in the hope of substantial appreciation. In the instance of the stocks enumerated in the table and which belong to this particular group, we have appended the rating (S) to indicate their specuative nature. Furthermore, these issues are considered unattractive for ordinary investment purposes.

We are, however, mainly concerned with stocks of good to high quality on which the yields are low. The stocks in this group and which are listed in the table have been given one of the two ratings—(P) and (T).

Rating (P) is somewhat complex and needs some elaboration. What to do about low-yield stocks in this category is dependent on the investor's objectives. If he is a long-term holder and in a position not to be concerned with even violent market reactions, such as can happen from time-to-time, he may continue to hold the stocks indicated. These recommendations are based on the obvious potentials of the companies concerned and their inherent strength.

If, on the other hand, the possibility of a severe market setback in any of these issues is a matter of importance to the investor and one which he does not care to disregard, he may accept all or part of the profits on the stocks indicated.

Retention of high-quality low-yield stocks is normal practice of the largest investors, institutional investors being noteworthy examples. They rarely disturb their position in issues of this type as long as they maintain confidence in the long-term growth potentials. For that reason, (*Please turn to page* 526)



Camera-Optical Industry in New Growth

By ROGER CARLESON

People who are commanded to "Look at the birdie!" or "Say cheese!" may not realize it, but they contribute to a billion-dollar-a-year industry and support more than a thousand manufacturing enterprises that produce cameras, film, photographic flash bulbs, optical goods, precision instruments and hundreds of other items. But this field, whose leaders have been dynamic in research, marketing and promotion, has taken its product far beyond the amateur photographer, with the result that 60% of the business today falls into the industrial-military-professional category.

In at least two respects, the industry bears some resemblance to the automotive field — Eastman Kodak Co., supplying about 40% of domestic market, towers above its competitor like a General Motors and the stress placed by the industry on new-product development is in the best tradition of Detroit. And George Eastman, founder of Eastman Kodak, was the Henry Ford of this business, putting his company out in front in the 1890's with mass-produced box cameras that were to become household accessories.

Other giants have come along in the ensuing half-century — companies such as Polaroid, American Optical, Bausch & Lomb, Argus Cameras, Bell & Howell, Fairchild Camera & Instrument, General Precision Equipment and a hundred others which turn out photographic gear on a large scale. There are, of course, a few companies which dwarf even Eastman in over-all stature with a sizable stake in this field. E. I. du Pont de Nemours & Co. is an outstanding example, producing not only chemicals for the trade and industrial film, but also photographic paper. General Electric acquired an interest in this field a quarter of a century ago through introduction of the photographic flash bulb. Sylvania and other makers of bulbs vie with GE for this growing market. In 1954, no fewer than 438 million flash bulbs were used in taking nearly 25% of the 1.8 billion pictures snapped in this country. Last year, the total was sharply higher.

Foreign Competition Severe

The domestic industry has always been up against the stiff competition of foreign producers, notably German and Japanese, aside from the World War II period. Products such as Zeiss and Leica, made in Germany, symbolize high quality to the camera "bug" and from Japan come several moderately-priced products. This foreign competition is espe-

cially severe in the 35-millimeter field, which caters largely to individuals.

Indeed, only one American company, Eastman, outranks General Aniline & Film Co., which owes its eminence to German skill and ingenuity. General Aniline's Ansco division traces its history back to 1842, when photography was an obscure craft. In 1930, I. G. Farben (Agfa), the German chemical giant, moved into this country, bought out Ansco and created Agfa-Ansco. In 1939, Farben merged Agfa-Ansco with its American chemical and dye holdings, forming General Analine & Film. Shortly after the outbreak of World War II, the Alien Property Custodian seized the company as enemy property. It has been in Government custody ever since.

Despite this handicap which, among other things, kept the company from issuing stock, sales of General Aniline have soared in the intervening years, reaching $104 million, against $42 million in 1942. The company has borrowed $35 million and reinvested profits. The company is an important factor in such fields as film, photographic paper, chemicals, cameras and darkroom equipment. Its Ozalid machines and sensitized papers have widespread uses in industry.

While German and Japanese products are a factor in the domestic market, it is a fact that American imports of photographic gear have never been more than one-third as large as our exports. Despite quality that ranges from fair to excellent and relatively cheap labor, foreigners never have been able to gain a foothold in this richest of markets. Eastman, the American giant, on the other hand, is believed to have 75% of the world film market. Eastman, incidentally, has plants in Germany, Britain, France, Canada and Australia.

Diverse Characteristics

In addition to the giant Eastman (chemicals and textiles), a common characteristic of all the leaders of this industry is their diversity. Thus, Bell & Howell (movie cameras) has acquired the Three Dimension Corp. of Chicago, giving it a line of tape-recorders and slide projectors. Revere, another top-notch producer of movie cameras, bought the Ciro Corp. several years ago to give it a firm foothold in the 35-mm. field and recently acquired the Wollensack Optical line of lenses. Graflex, a leading producer of professional cut-film cameras, has bought out Strobo Research, a maker of electronic flash equipment.

The sevenfold growth of the industry over the years since the start of World War II must be credited, in the main, to improvement of product by the highly competitive entities in the field. Each of the leaders invests heavily in research. During the past decade, Eastman alone has spent on the order of $350 million for plant improvement and capital investment.

No better illustration of the vital importance of research in the camera industry is offered than that of Polaroid Corp. When, in 1947, Polaroid announced development of a camera that took pictures and developed them in 60 seconds, it was hailed as a great invention. And Polaroid has come a long way in the intervening years, improving its product and lowering its price. The remarkable success of that company is reflected in a 1,900% increase in sales—from $1.5 million in 1948 to an estimated $30 million last year. Sales of the photographic division, which account for nearly 90% of total volume, moved from about $5 million in 1950 to an estimated $26 million in 1955—a 420% boost in five years. This tremendous jump has been the real thing—no other company was acquired. Earnings before taxes also have grown astoundingly, from $795,000 in 1950 to an estimated $4.2 million last year—a 390% increase.

Stress On Research

While Polaroid is an outstanding example of growth through research, the story is pretty much the same throughout the industry. This is a field on which President Eisenhower appears willing to stake the survival of the free world, under his "Open Sky" system of inspection that would rely on American cameras and photographic equipment to assess the strength of the Soviets. It is an industry that turns out cameras and accessories for all branches of the military, along with sighting and fire-control equipment, small motors and other items.

Industrial services are, of course, manifold. Most of the large corporations today use such techniques as motion pictures and sound slide film to train personnel. Sales of photocopy equipment to business soared to an estimated $40 million last year. In photocopy, a negative paper is exposed to the printed matter to be reproduced and then is transferred by a photographic method to a positive sheet, which is the finished copy. The operation takes about 30 seconds. These machines have been in widespread use for only four years. But utilization of

7 Leaders in Camera — Optical Field

	1953		1954		1955				
	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	9 Months Earnings Per Share	Div. Per Share	Price Range 1953-1955	Recent Price	Div.
American Optical Co.	$ 3.10	$ 2.00	$ 2.65	$ 2.00	$ 2.74[1]	$ 2.00	53¼-29¼	40	5.0%
Argus Camera, Inc.	1.96	.35	3.04	.60	3.08[2]	.95[3]	32 - 7⅛	25	3.8
Bausch & Lomb Optical Co.	2.11	.60	2.27	.70	1.96	.75	27½-10⅜	26	2.9
Bell & Howell Co.	2.44	1.00	3.20	1.00	2.22	1.00[3]	42¼-16	32	3.1
Eastman Kodak	2.86	1.80[3]	3.99	2.00	3.16	2.20[3]	87⅞-41⅝	81	2.7
Fairchild Camera & Instrument	1.93	.25[3]	3.51	.50	1.68	1.00	37¼-17	23	4.3
Polaroid Corp.	2.21	.50	1.78	.50[4]	2.25	.50	81 -32⅞	79	.6

[1]—40 weeks to Oct. 7, 1955.
[2]—Year ended July 31, 1955.
[3]—Plus stock.
[4]—Plus 50% stock dividend.

the equipment in such places as insurance companies and law offices has been a major factor in increasing sales. A tenfold increase in photocopy is expected over the next five years. It would require a large-size book to catalogue all the uses of the photographic industry. The foregoing illustrations, of course, are minor alongside the stake the industry has in television and motion pictures. Growing applications for its products are reflected in the upsurge of sales by company after company in this field.

Eastman Sets Record

Sales and earnings of Eastman, as an example, were at new highs for the three and nine months ended September 30, 1955. Its business is believed to have continued in an upward trend in the final quarter of the year. Sales for the nine-month period were $487 million, up 13% from the $430 million sales in 1954's first three quarters and earnings were equal to $3.15 a share, compared with $2.68 a year earlier, a rise of 23%. Sales in the third quarter were $171 million, up 12% from the $152 million reported for the 1954 third quarter, and earnings were equal to $1.18 a share, against $1.07 in the 1954 period.

Readers of the Magazine, of course, are familiar with Eastman Kodak, since we have dealt with the company at length on a number of occasions. It is our intention to deal in the following with less prominent entities in the field, companies which have carved out an importance niche for themselves in the postwar decade. All have enormous growth potentials in a burgeoning industry.

American Optical Co. is a principal manufacturer and distributor of ophthalmic and optical products. It also makes and distributes scientific instruments, industrial safety equipment and sun glasses. Spencer Lens Co. became a wholly-owned subsidiary in 1953 and was merged with the company to become its instrument division. Spencer and predecessors have a history of 100 years of operation. Activities cover manufacture and wholesale distribution of microscopes, microtones and accessories, instruments for measuring optical property, projection equipment and the like.

This long-established, staid New England enterprise has suddenly been pushed to the publicity forefront through its arrangement with Mike Todd, show producer, to bring out the operetta "Oklahoma!" on a wide screen. The process, known as Todd-AO, fills almost the entire front wall of a theatre, making the viewer feel he is almost surrounded by screen, bombarded with action and color. Todd-AO, using a single projector and ordinary booth, claims a theatre can be converted to the process for far less than other new wide-dimension schemes. The whole Todd-AO package includes 70-mm. film (double the standard width), a new and versatile projector that can also handle normal film widths, the huge, deeply curved screen and a camera whose nine-inch wide lens gives 128-degree field of vision. American Optical expects initial heavy outlays (the whole project has cost nearly $12 million) will be compensated through its "take" from the millions who will see "Oklahoma!" and other films using the process.

The company last year sustained a sizable setback as a result of floods that ravaged its plant facilities. It estimates damage at $2.5 million, with estimated state and Federal tax credits reducing this to about $1,165,000. Nevertheless, for the 40 weeks to October 7, sales were $55,890,000 and net profit totaled $2,225,000 or $2.74 a share. This compares with sales of $52,411,000 and net of $1,602,000, or $1.97 a share, in the like 1954 period. The company has paid some dividend in every year since 1939 and now pays 50 cents at quarterly intervals.

Argus Cameras, Inc., over the past five years, has pushed its net profit figure steadily higher, from $431,000 for the fiscal year ended July 31, 1951, to $1,293,000 in the 1955 year. Sales rose from $8,873,000 in 1951 to $22,409,000 in 1954, but declined in the latest fiscal year to $20,729,000. However, commercial sales—cameras, projectors and accessories—increased from $16,574,000 in fiscal 1954 to $18,235,000 in fiscal 1955. This is a rise of about 10%, but there was a decline in over-all volume due to the drop in military business.

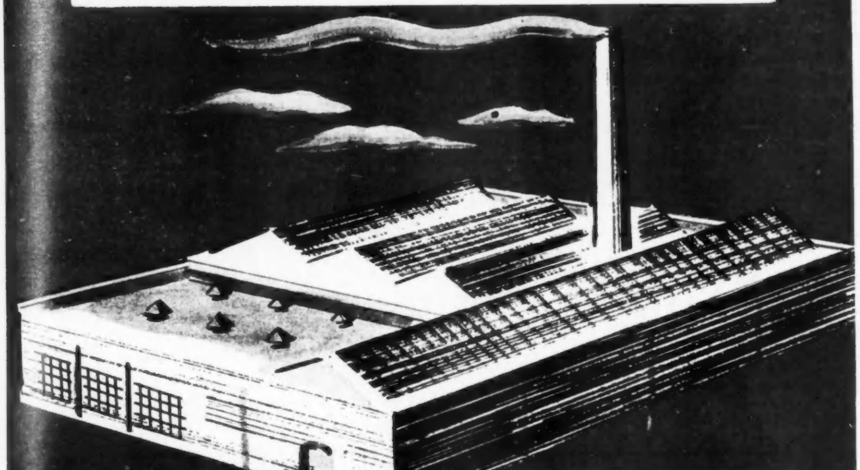
The name of Argus is firmly established in the photographic industry as a leader in the production of photographic items. National advertising, sales promotion and aggressive merchandising have made significant contributions to establishment of this name. Argus claims leadership in the 35-mm. field. Its German subsidiary, headquartered in Stuttgart, is engaged in engineering and tooling in preparation for manufacture of photographic products.

Argus has done well by shareholders. An initial of 25 cents was paid in 1951 and a like amount was disbursed in 1952 and 1953. The payout was boosted to 50 cents in 1954 and to 90 cents in fiscal 1955. The stock now receives 25 cents at quarterly intervals. In addition, a 5% stock dividend was paid last year.

Bell & Howell Co. manufactures quality precision-made motion-picture cameras, projector equipment and other products for the motion-picture field. It also produces microphone equipment, photographic and optical instruments for the military and, as previously noted, has moved into the field of tape-recorders. The company has a large stake in such unlimited-horizon areas as audio-visual aids for education and microfilm, which offers economical and space-saving storage of valuable corporate records.

Sales for the third quarter and first nine months of 1955 were slightly behind the like 1954 period. The company does not release sales figures with interim reports. Net for the nine months totaled $1,195,000, or $2.22 a common share, against $1,124,000, or $2.12 a share, in the like 1954 period. A change in amortization policy (not reflected in the like 1954 and 1953 periods) had the effect of increasing net profit for the first nine months of 1955 by about $75,000, or 16 cents a share. Lower sales in some lines and increased starting load and tooling cost for some new products adversely affected third-quarter earnings, which totaled 94 cents a share, compared with $1.12 in the third quarter of 1954. It is believed, however, that net for all 1955 topped the 1954 figure of $3.52 a share and 1955 sales probably approximated the $40.7 million of 1954, highest in company's history. As recently as 1946, sales *(Please turn to page 524)*

What To Do About 1955's Dividend Casualties



By JOHN D. C. WELDON

When all the entries are made in the book of records for 1955, it will be seen that one of the achievements of American business in that year was the distribution to common shareowners of an unprecedented volume of cash dividends, exceeding by close to a half billion dollars the 1954 record of $9.2 billion.

This tremendous flow of dollars into the hands of stockholders during last year was swelled by a number of companies increasing their regular distributions over the previous 12 months and, in many instances, by substantial year-end extras. All this is cold comfort to those who held issues of companies moving against the dividend tide by either reducing rates of payment or passing dividends entirely. The number adopting one or the other course in 1955, although not as large as in 1954 and other years, included 18 issues listed on the New York Stock Exchange, a comparatively small group considering the approximately 400 common stocks that paid the same rate of dividend as in 1954 and the approximately 465 Big Board stocks receiving more liberal dividend treatment last year than in the year before.

Except in a few rare instances, the reduction of payments or omitting them altogether in 1955, was certainly not a complete surprise to holders of these stocks who saw to it that they were adequately informed regarding earnings trend and other fundamental developments in the affairs of the companies in which they had a tangible interest. Invariably, an investor in possession of such information is able to discern the possibility of a company cutting or omitting its dividend. Being thus forewarned the shareowner is in a position to avoid loss of capital because of a lower market price for his shares which generally precedes unfavorable dividend news, and by timely action be able to reinvest the released funds in an issue that is on a sounder basis, thus averting loss of income.

To make these moves at the most propitious time, however, requires decisive judgment. Wishful thinking, tainted by inertia, and unfounded hopes for a turn for the better in the affairs of a company that has already sent up danger signals regarding its dividend policy are likely to lead to still larger losses. Even if this should happen it is only in rare instances that it becomes too late to save the balance of the funds tied up in the issue and greatly improve one's position by making an intelligent substitution.

Those of our readers who may be holding shares on which dividends have been reduced or omitted in 1955 should find the accompanying tabulation and our selected comments on some of the issues in this category of value. The table embodies our ratings of each stock, together with our comments in detail on certain of these issues, based on our reappraisal for the purpose of determining which of the group appears to have possibility of raising their status; which of the group appears to be confronted with uncertain prospects, and those issues that appear to have extremely limited prospects for improvement for some time to come. On the basis of our findings, we have rated each stock in the tabulation with one or another of the following symbols.

(1) H – hold. This signifies that important

changes for the better appear on the way, and that the stock is likely to recover substantially over the longer-term. The stock, accordingly, should be held.

(2) S – This symbol is attached to stocks whose future is too uncertain, or whose recovery may be too long delayed, to warrant continued retention. Investors troubled by these issues might find it advantageous to make substitutions from any of the better-grade stocks recommended in each issue of The Magazine.

(3) H-T – hold temporarily. In these instances, we suggest that the investor maintain his position for a while longer, not so much because of definite prospects of genuine recovery but because, at prevailing prices, stocks so marked appear to be fairly well liquidated and, even a minor improvement could provide the opportunity for selling at a more favorable price, thus reducing the loss.

In the following, we briefly comment on the position and outlook for several of the more prominent issues that, in our estimation should be held.

American Safety Razor Corp., since relocating its main plant in Virginia, appears to have established an upward earnings trend, net earnings for the third quarter of 1955 increasing to 38 cents a share from 19 cents in the second quarter. For the first nine months of the year, however, earnings were shaved to 14 cents a share as a result of the first quarter upheaval which caused a net loss of $656,157, equal to 43 cents per share deficit. Included in the first quarter net loss were the extraordinary expenses and limited production during the transfer of factory operations from Brooklyn, and the costs of relocation. Although 1955 final quarter net earnings are not expected to show the same rate of gain as was experienced in the third over the second quarter, it is estimated full year's results were close to 45 cents a share notwithstanding the dismal first three months. Although the company, the second largest producer of razors and blades, is operating in a highly competitive field and its shares are speculative, the more encouraging earnings outlook and improving prospects for dividend resumption, warrant retention, for the time being, of present holdings.

Baldwin-Lima-Hamilton Corp., will probably show earnings for 1955 of about 30 cents a share as compared with 95 cents for 1954 and $1.54 for 1953. This downtrend reflects continuing high overhead costs during a time when efforts are being devoted to integrate new diversified activities through acquisition of other companies and operations or through development of new products and the extension of existing lines of equipment. While Baldwin-Lima continues to be a large manufacturer of diesel engines and parts, it also produces hydraulic turbines, road building machinery, hydraulic presses and rolling mill installations for the steel and other metal fabricating industries, as well as a wide range of materials testing equipment and related electronic devices. In connection with this latter activity, Baldwin-Lima announced early this month it was proceeding to construct a new 102,000 square-foot plant at Waltham, Mass., to house its electronics and instrumentation division. This decision is indicative of the growing importance of this field as a result of the general acceptance of electronic measurement of weights, pressures and torques.

As of last Sept. 30, Baldwin-Lima's unfilled orders totaling $149.5 million, including those on the books of certain subsidiaries at the time of acquisition, contrasted with a backlog of $81.1 million on the corresponding date of the previous year. Until further gains in benefits are made through the integration program the road back to earnings that can support a more liberal dividend policy may be long and for stockholders tedious, but the longer-term prospects appear to be such that patience on the part of Baldwin-Lima's shareowners should be rewarded.

The Bullard Company, one of the foremost builders of machine tools, entered 1955 with a backlog of $11.6 million in unfilled orders. This was in contrast to a $34 million backlog at the beginning of the previous year, the decline indicating that the bulk of orders generated by demand following the outbreak of trouble in Korea had been shipped and that Bullard in common with others in the machine tool business, was experiencing a lull in new business. Such a situation was not unusual in the cyclical machine tool industry.

Bullard's situation through the greater part of 1955 was aggravated by unexpected difficulties encountered practically at the start of the first quarter in making the change-over to producing three newly designed lines of machines. Because of this, there ensued extraordinary starting expenses which, in the six months to last June 30, totaled more than $2.6 million. This entire sum was charged to first half-year operations with the result, after credit for Federal tax carry-back of $1.3 million, net loss for the period reached approximately $1.2 million. Since then, there have been definite signs Bullard has turned the corner. Its backlog which had reached $19.1 million at the end of third quarter had expanded by early November to $21.9 million, a gain reflecting in part renewed machine tool buying and the advantages accruing to the company as a result of its redesigned lines of machines. The improvement in operating results for the third quarter is equally encouraging. Considerable progress was made in overcoming the difficulties attending the change-over of production. Shipments were up by about 27% from second quarter volume and September operations were on a moderately profitable basis, although declining losses in the two previous months, after tax credit of $150,000 caused a third quarter deficit of $100,882, bringing the deficit for the first nine months of 1955 up $1,311,618, equal to a deficit of $1.80 a share as compared with net earnings in the like period of 1954 of $6.46 a share. It is expected that final quarter results will reflect the improvement that became evident at the end of the preceding quarter and with the greatly increased backlog and with production back on a normal basis, Bullard's earnings in 1956 should show sufficient gains to permit dividend consideration later in the year. The favorable long-term prospects warrant retention of the shares. (*Please turn to page* 524)

18 Stocks That Passed or Cut Dividends in 1955

	1953 Earnings Per Share	1953 Div. Per Share	1954 Earnings Per Share	1954 Div. Per Share	1955 Estimated Earnings Per Share	1955 Total Div. Per Share	Price Range 1953-1955	Recent Price	Last Quar. or Periodic Payment Per Share	Changed to New Quar. or Periodic Payment	Rating
American Safety Razor	$ .60	$ .37½	$ .52	$ .50	$ .45	$ .25	9- 6	7	$.12½	$ [1]	H-T
Baldwin-Lima-Hamilton	1.54	.75	.95	.80	.35	.60	24- 8	15	.20	.10	H
Ben Ami Co. "A"	2.34	2.00	2.47	2.00	2.00	.50	39-21	21	.28	.50[2]	S
Bullard Co.	6.59	3.00	6.61	4.00[3]	(d)1.50	1.00	51-17	33	.50	[4]	H
City Products	3.04	2.50	2.82	2.50	2.90	2.12½	40-26	30	.62½	.50	H
Continental Motors	1.83	.80	1.38	.80	.75	.60	14- 7	9	.15	.10	H-T
Feit & Tarrant	.82	.80	.22	.45	......	.05	13- 8	8	.05	[5]	S
Gamewell Co.	3.63	1.45	4.21	2.00	3.29	2.00	39-20	28	.50	.40[6]	H
Goebel Brewing	.86	.65	.63	.55	.50	.45	9- 5	5	.15	[4]	S
International Mining	.03	......	.03	.20	......	......	6- 1	5	.10	[5]	S
McLellan Stores	2.31	2.00	2.13	2.00	2.20	1.80	29-18	22	.50	.40	H
National Dep't. Stores	.54	1.50	(d) .17	1.00	......	.50	28-12	22	.25	[4]	S
Pittsburgh Screw & Bolt	.78	.60	.26	.60	.75	.40	9- 6	7	.15	.10	S
Real Silk Hosiery	.32	.25	.74	.40	......	.25	42-12	33	.40	.25	S
St. Louis San Francisco Ry.	5.15	2.50	2.46	2.50	4.15	1.50	34-22	31	.62½	.37½	H
Spencer Kellogg & Sons	.11	.80	2.15	1.20	.27	1.10	23-12	18	.30	.20	H
Standard Coil Products	2.02	1.00	1.70	1.00	......	.85	20-10	12	.25	.10	S
Ward Baking	3.12	2.00	1.54	1.80	1.60	1.25	27-15	16	.45	.25	S

(d)—Deficit.

[1]—Dividend postponed.

[2]—Dividend deferred.

[3]—Plus stock.

[4]—No dividend action.

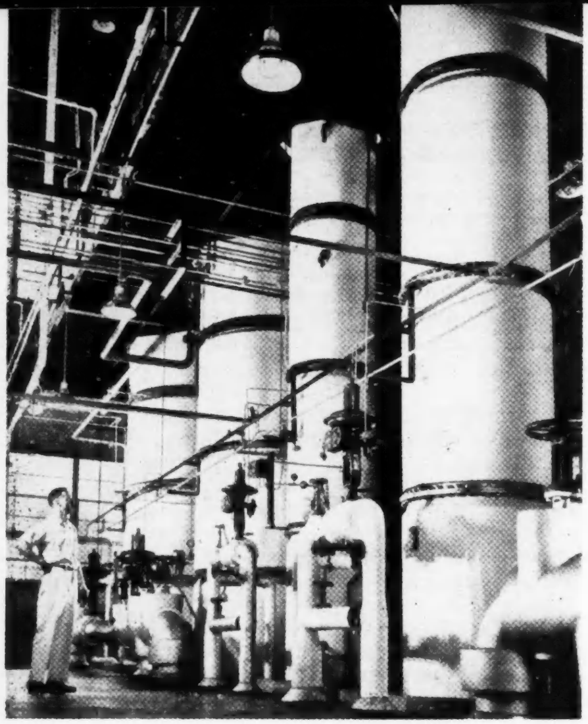
[5]—Dividend omitted.

[6]—Payable 1/16/1956.

RATING: H — hold; outlook improving.

S — Highly speculative; outlook uncertain.

H-T — Hold temporarily.



Progress Report on Depressed Industries—No. 4:

The Distilling Industry

By ARTHUR H. FERGUSON

Despite an unprecedented high level of employment, the great increase in consumer buying power, and an increasing population, the distilling industry in the United States in fiscal 1955 failed to show any material progress in expanding sales or increasing earnings.

According to a recent U. S. Department of Commerce survey there has been little or no growth in the postwar period in sales of liquors over bars and in restaurants while, the Licensed Beverage Industries, Inc., states that one of every four gallons of whiskey consumed is the product of moonshiners who pay no tax on their output.

The flow of illicit whiskey, even though of greatly inferior quality, being unburdened by the current high federal excise tax, provides competition to the legal distillers who are in stiff competition among themselves in their efforts to gain and hold consumer preference. The distillers confront these conditions while compelled to carry a tax burden imposed on legal liquor that for some of the producers is a double impediment because of the 8-year "force out" of distilled spirits in bond under existing federal law. At the present time, the federal excise tax on all such spirits in bond is fixed at $10.50 a proof gallon. This compares with $1.10 a gallon at the time of repeal in 1933. In 1942, with the nation at war, the tax was raised to $4 and again increased to $9 in 1944. The most recent boost was made during the Korean war when the tax was raised to its present high level. This is equivalent to $1.82 on a fifth of 86 proof straight whiskey and to $2.10 on a fifth of whiskey bottled in bond.

This tax which is collected at the retail level raises prices so high that the distiller is stymied in an attempt to offset increased operating costs by raising the price of his product. There are other deterrents to such action. Normal competition within the industry must contend with that of the moonshiners and the "force out" provision of the laws passed by Congress more than a half century ago. This is "the 8-year due date" requiring the American industry to pay the federal tax in full within 8 years of the date of distillation on the number of gallons then in the barrel, even though the products are not then to be marketed. Moreover, no allowance is made for further evaporation and soakage losses. Although the entire U. S. industry is not in accord as to the burdensome restrictions imposed upon it by the "force out" the "due date" has frequently caused "forced liquidation" of large quantities of whiskey resulting in serious revenue losses to the government and materially depressing the industry's earnings. Those holding this view are, therefore, hoping for early passage by Congress of the Eberharter Bill which would establish an unlimited bonding period and lift the pressure on the American distillers.

At the same time, the entire industry is in accord as to the present federal excise tax being too high and are hoping that Congress will heed the request for an adjustment to $6 a gallon. Prospects for such action do not appear very bright. When the current rate was put into effect in 1951, provision was made for reverting to the $9 tax on April 1, 1954, but Congress, contrary to expectation, has twice renewed the higher rate which continues in force until April 1, this year. In view of the Administration's opposition to any tax cuts this year, it is not likely there will be a change in the excise tax.

Meanwhile, competition in the legal industry is intensifying and a number of companies while pursuing increasingly aggressive sales promotion programs are also continuing to strengthen their positions through greater diversification in related and other fields. In some instances there has been significant progress along these lines, especially in the following companies:

Schenley Industries, Inc., which in its fiscal year

ended last August 31, increased sales to $411.7 million from $409.9 million in the previous year made outstanding progress in boosting net earnings to more than $6.1 million, or $1.40 a share, from $3.8 million, equal to 87 cents a share in fiscal 1954. Several factors contributed to this greatly improved showing. By reorganizing its selling operation it was able to effect substantial economies and by improving distributor setup assuring broader and deeper distribution of the Schenley brands it moved forward toward increased volume and profit, aided by greater emphasis in promoting the sale of "I. W. Harper", "Old Schenley" and its other premium-priced whiskies. Again as in the previous year its subsidiary, the Blatz Brewing Co., operated profitably and is expanding its line by the introduction of a new beer which while retaining the characteristics of premium beers has been created to appeal to those who desire a product pleasantly smooth and less bitter than the famous Blatz beer, the sales leader in the state of Wisconsin.

Schenley also continues to expand operations in the pharmaceutical field. Last year, its Schenley Laboratories introduced six new products and Norex Laboratories, its proprietary pharmaceutical company, had one of the best years in its history.

Schenley closed its 1955 fiscal year in a strong financial condition. While long-term borrowings from institutional lenders other than banks remained at $100 million prepayment of long-term debt which had a due date in November, 1958, brought long-term bank debt down by $40 million in last two fiscal years, or from $50 million to $10 million. As of August 31, last, current assets of $313 million were 2.1 times current liabilities of $39.4 million which included $10 million in notes payable to banks in November 1955. After payment of quarterly dividends of 25 cents each, earned surplus was increased by $1,751,067. This rate of payment should be maintained through the current calendar year to yield a return of 4.76%. While the issue is lacking in immediate speculative appeal prospects for improved earnings over the long-term from diversified operations justify patience on the part of those now holding the stock bought at higher prices.

Distillers Corp.-Seagrams Limited while continuing to hold its position as one of the largest of the distilling companies in this country and Canada presents a unique picture because of its growing investment in oil and gas projects in the United States, having increased from $3.8 million at the end of the 1954 fiscal year to $15.5 million as of July 31, 1955. Its oil operations, primarily in the states of Oklahoma, Kansas and Louisiana, over the past year have consisted largely of acquiring acreages, conducting geological and geophysical surveys, drilling test wells and increasing the number of producing wells. Income from sales of oil and gas last year amounted to $1,173,580 before writing off various expenses, including dry holes, depreciation and depletion, leaseholds abandoned or expired and operating costs, totaling $4.9 million. According to present plans, between $12 and $15 million more will be invested in these oil and gas projects.

Last year, Seagrams' consolidated net sales of $735.2 million fell short of matching fiscal 1954's $752.6 million and net income of $31 million, equal to $3.54 per was at the lowest level since 1946. The 1955 per share figure compares with $4.09 for 1954 and $4.32 in 1953. Both sales and earnings for all years are expressed in U. S. Currency. Since the close of fiscal 1955, Seagrams has expanded its position in the distilling industry by acquiring control of three distilleries and more than 50,000 barrels of whiskey from National Distillers Products Corp., for $6 million. Included in this deal was the Montmorency Distillery Co. in Canada that had been owned jointly by National and Distillers Corp., Ltd., the British Scotch whiskey producer through its U. S. subsidiary. The other plants were National's Old Overholt Distillery at Broad Ford, Pa., and National's Baltimore Pure Rye plant in Maryland on which Seagrams has taken a long-term sublease. National, however, retains ownership of "Dominion Ten" and its "Old Overholt" rye whiskey which National will continue to market as a bottled-in-bond product.

Seagrams closed its 1955 fiscal year with strong finances. Cash and U. S. Government obligations totaling $45.8 million were part of current assets amounting to $375.3 million as compared with current liabilities of $51.5 million. The only other outstanding debt was represented by $72.4 million in debentures of Joseph E. Seagram & Sons while total assets of the parent company totaled $478.2 million.

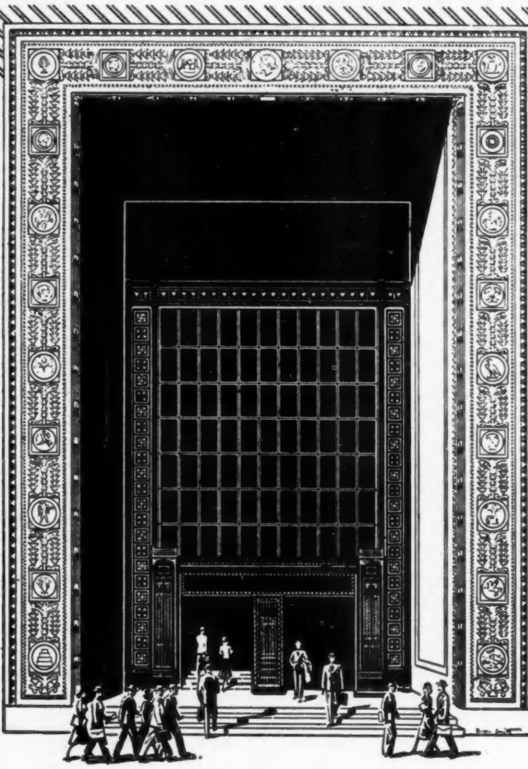
Currently priced in the market at 38, the shares on the basis of indicated $1.70 annual dividend, are selling to yield a return of 4.4%. Ample dividend coverage and potentials of the oil and gas projects warrant retention (*Please turn to page* 530)

Statistical Data on Leading Distillers

	Sales 1954 (Millions)	Sales 1955 (Millions)	Net Profit Margin 1954	Net Profit Margin 1955	1954 Net Per Share	1954 Div. Per Share	1955 Net Per Share	1955 Div. Per Share	Price Range 1954 1955	Recent Price	Div. Yield
American Distilling	$ 68.4	$ 65.8	1.0%	1.7%	$3.11	$2.00	$5.05	$2.00	56¼-31⅝	55	3.6%
Brown Forman Dist.	73.5	70.7	3.9	3.7	2.70	.80	2.46	.80	20½-15¾	18	4.4
Dist. Corp.—Seagrams	752.6	735.6	4.7	4.2	4.09	1.70	3.54	1.70	49 -28⅛	38	4.4
National Distillers	487.3	(N.A.)	2.8	(N.A.)	1.38	1.00	1.10[1]	1.00	24⅛-16⅞	22	4.5
Publicker Indust.	153.1	(N.A.)	(d) 1.5	(N.A.)	(d).86	[3]	(d) .65[2]	[3]	12⅞- 9	10	....
Schenley Indust.	409.9	411.7	.9	1.4	.87	1.50	1.40	1.00	27⅜-17½	21	4.7
H. Walker-Gooderham & W.	339.2	341.2	5.9	5.6	7.02	4.00	6.70	4.00	81¼-51	70	5.7

(d) —Deficit.
(N.A.)—Not Available.
1—9 months; compared with $.95 a share 1st 9 mos. of 1954.
2—9 months; compared with $.68 a share 1st 9 mos. of 1954.
3—Paid 5% in stock.

BANK STOCKS as INVESTMENTS TODAY



By J. S. WILLIAMS

Annual reports issued this month by the larger banks fulfill in practically every instance the expectation that 1955 would be a good year. Operating earnings increased substantially in response to the recovery of general business activity, the expansion of all types of credit, and the rise of interest rates. Operating expenses and taxes also increased, but at a slower rate, so that net income continued its upward trend.

For the year 1956 the bank stock outlook still appears to be relatively favorable as judged by the major factors. Among the short-term factors are the likelihood that business generally will continue to be maintained around its present record-high level, with consequent heavy demands for credit accommodation, firmness of money rates, and good bank earnings. This represents a gain over the early part of 1955, when production and trade were much lower with the rise in interest rates becoming effective only during the latter months.

Among long-term favorable factors are: (1) the essential character of the banking business; (2) development of new services rendered to the public; (3) diversification of its sources of revenue; (4) growth through establishing or acquiring more bank offices, and (5) better control over expenses through labor-saving equipment. Because of these conditions, banks stocks have earned a high reputation for quality and stability among investors and analysts. Their inclusion in a diversified investment portfolio provides a conservative element that helps to balance other issues that may offer greater speculative possibilities but carry greater risks.

Marketwise, bank stocks as a group are today neither high nor low, but reasonably priced. They have advanced during the past year only moderately, (about 7 per cent) in contrast with many industrial stocks that have soared to much higher levels. Bank dividends have been increased moderately and current yields are still relatively attractive. The market stimulus resulting from rumors or formal announcements of mergers, dividend increases, new capital offerings, and stock splits seems likely to continue this year.

Bank Loan Expansion

The accompanying table "Statistical Data on Leading Bank Stocks" shows the marked expansion that occurred last year in bank loans. This includes the twenty commercial banks whose latest reports show total resources over $1 billion each. Last year the "billion dollar club" admitted three new bank members—the Anglo California National Bank of San Francisco, the First Pennsylvania Banking & Trust Co. of Philadelphia (formed by merger of the First National Bank and the Pennsylvania Company for Banking & Trusts), and the Philadelphia National Bank. One former member dropped out—the Bank of the Manhattan Company, upon its merger with the Chase National Bank to form the Chase Manhattan Bank.

As the table shows, most banks had a substantial expansion last year in their "Loans and discounts" as measured by the totals as well as the four principal categories.

The increase in "commercial, industrial and agricultural" loans principally reflected the recovery of business activity from the recession level to a new all-time high, which required bank accommodation to finance the sales and accounts receivables, the renewed accumulation of inventories, and the vast capital outlays for new plant and equipment. There also was some additional demand for financing the storage of surplus farm commodities.

Loans to brokers and to others for purchasing or carrying securities increased as a result of the credit demands created by the stock market rising to new all-time highs, as well as a larger volume of new

offerings of corporate and municipal bonds and notes, including numerous thruway issues. If general business in 1956 is maintained around the present high volume, the demand for bank credit also should hold at high levels.

The big expansion in real estate loans (see table A) reflects largely the continued boom in new residential building. Despite some slowing down in the closing months of last year due to a moderate tightening up of interest rates and of terms for down-payments and mortgage maturities, the national housing program is still proceeding at a rate of better than 1,000,000 new homes annually and is expected to continue at least that high indefinitely.

The rise in "Other Loans" principally reflects the expansion in consumer instalment loans, the preponderant share of which is retail automobile paper. Despite the sharp rise in consumer credit, its repayment record continues excellent, with a substantial portion being paid off as due each month, delinquencies small, defaults and repossessions almost negligible.

Production of 1956 model automobiles got off to a big start in December and, although sizable inventories accumulated, the industry is confident that the current year will be nearly if not fully as good as last year's record-breaker. Aside from automobiles, instalment credit is expected to continue its long-term upward trend in financing the newer consumer appliances, including color television, as well as time-payments on more types of services such as travel, vacations, college education, and charge accounts.

Interest Rates Up

Banks have benefited in three ways from the widespread loan expansion that occurred last year. First, the larger volume of loans and discounts caused an increase in the dollar revenue from interest. Second, the almost insatiable demand for credit against the available supply has forced up the various short-term money rates, as is shown in the table designated B.

Third, the business boom and credit strain have caused the Federal Reserve Banks to adopt a policy of marking up their rediscount rates for advances to member banks in order to discourage further lending, to avoid sub-standard credits, and to check inflationary tendencies. Last year there were four advances of 1/4 of 1 percent each in the official rate, carrying it to 2 1/2 per cent—the highest for 23 years or since 1933. (See Table B)

Despite the rise last year in interest rates, many of the bank annual reports for 1955 show a decrease as compared with 1954 in their average rate of interest collected on all loans. This apparent inconsistency is explained by the fact that the large expansion in the total of outstanding loans was concentrated to a large extent in the prime commercial loans, which carry the lowest rate of interest and thereby tend to pull down the over-all average rate. Moreover, the rate increases took place mostly in recent months and therefore became effective for only a portion of the year; there is usually a lag of a year or more until changes in interest rates become fully effective. Interest income in dollars last year, as distinguished from average percentage rate, of course, showed a big increase.

Rising interest rates, however, are not in every respect beneficial to the banks. They cause fixed-interest securities to move down in market price and this causes declines in the book valuations of the extensive investments held by the banks in U. S. Government and other high-grade securities. Such price decline, if the banks continue to hold the securities, will cause a drop in their paper profits or even bring about a book loss—and management does not like to see any "red ink" figures on its books. If the securities at the lower prices are sold out, losses will be "established", or else the profits will be much smaller than were realized last year, when long-term interest rates were easing and bond prices were strong.

Thus while, as already stated, most 1955 gross and net operating earnings show increases as com-

Statistical Data on Leading Bank Stocks

	Total Deposits 12-31-55	Total Deposits 12-31-54	Loans & Discounts 12-31-55	Loans & Discounts 12-31-54	U. S. Govt. Securities 12-31-55	U. S. Govt. Securities 12-31-54	Book Value per Share 12-31-55	Earnings per Share* 1955	Earnings per Share* 1954	Indicated Current Dividend	Recent Price	Dividend Yield
	(Millions)											
Anglo Calif. Natl., San Francisco	$ 922	$ 850	$ 424	$ 346	$ 294	$ 330	$ 46.20	$	$ 3.78	$2.40	$ 60	4.0%
American Trust, San Francisco	1,410	1,337	757	636	411	446	36.07	3.02	3.05	1.60	41	3.9
Bank of America, San Francisco	8,803	8,271	4,728	4,043	2,149	2,414	20.24	2.55	2.65	1.75	40	4.4
Bankers Trust, N. Y.[1]	2.494	2,535	1,403	1,332	464	586	58.83	4.86	4.57	2.80	65	4.3
Chase Manhattan, N. Y.[2]	6,789	6,859	3,669	2,877	1,231	1,908	43.87	3.52	3.25	2.20	51	4.3
Chemical Corn Exch., N. Y.	2,896	2,624	1.307	976	507	829	41.77	3.62	3.18	2.00	46	4.3
Cleveland Trust Co.	1,353	1,292	636	523	446	488	242.87		18.33	6.00	263	2.3
Continental Illinois, Chicago	2,474	2,477	1,011	688	863	1,248	100.62	8.15	8.06	4.00	109	3.7
First Natl. City, N. Y.[3]	6.309	6,195	3,185	2,559	1,319	2,047	56.00	4.25	3.38	2.60	64	4.1
First National of Boston	1,613	1,571	868	741	374	460	6.43	4.91	4.59	2.75	63	4.3
First National of Chicago	2,718	2,688	1,330	1,282	792	875	218.24	19.59	17.85	8.00	305	2.6
First Penna. Bkg., Phila.[4]	984	961	534	437	158	230	37.86			2.15	50	4.3
Guaranty Trust, N. Y.	2,714	2,600	1.499	1,369	830	991	81.12	5.00	5.54	4.00	79	5.1
Hanover Bank, N. Y.	1,754	1,591	833	642	441	586	51.48	3.88	8.86	2.00	49	4.1
Irving Trust, N. Y.	1,558	1,407	756	620	395	445	25.29	2.20	1.80	1.50	31	4.8
Manufacturers Trust, N. Y.	2,956	2,802	1.081	830	769	986	78.59	6.43	5.88	3.20	85	3.8
Mellon National, Pittsburgh	1,674	1,620	758	571	486	605	101.43	6.74	6.10	3.40	112	3.0
National Bank of Detroit	1,880	1.692	620	374	753	807	44.18	4.26	3.57	2.00	63	3.2
Philadelphia National	910	875	418	316	172	251	98.20		8.08	5.00	125	4.0
Security 1st Natl., Los A.	1.976	1,947	632	508	960	1,095	35.57	4.39	3.77	1.60	56	2.8

* Net operating or indicated earnings.
1 Bankers Trust Co. absorbed Public National Bank & Trust Co., April 8, 1955; combined figures shown in comparisons.
2 Formed March 31, 1955 by merger of Chase National Bank and Bank of the Manhattan Co.; combined figures shown in comparisons.
3 Formerly National City Bank; absorbed First National Bank, March 20, 1955; combined figures shown in comparisons; earnings and dividends include City Bank Farmers Trust Co.
4 Formed September 30, 1955 by merger of Pennsylvania Co. for Banking & Trusts and First National Bank of Philadelphia; combined figures shown in comparisons.

Table A: Shifts in Loans and Investments of all Member Banks in Year 1955

(Millions of Dollars)

	Total Dec. 28, 1955	Change in Year
Com., indus., agric. loans	$26,701	+4,278
Loans to brokers & dealers	2,858	+ 170
Other secured loans	1,271	+ 158
Real estate loans	8,139	+ 963
Other loans	10,138	+1,898
Total loans	48,361	+7,381
Treasury bills	1,535	—1,008
Treasury certificates	910	—1,858
Treasury notes	6,997	—1,203
Treasury bonds	20,680	—2,711
Total U.S. securities	30,122	—6,780
Other securities	8,258	— 366
Total loans & investments	86,741	+ 235

pared with 1954, the net profits on securities in 1955 were generally much less and in some cases were converted to net losses. Since the gains or losses on security transactions fluctuate erratically from one year to another, they are less significant than operating income in judging real earning power.

In order to provide funds for the expansion of over $7 billion in loans last year, commercial banks were forced to liquidate by nearly the same amount their investments—mostly in government securities. Long-term government bonds were reduced by almost $3 billion, while there were reductions of over $1 billion each in Treasury bills, notes, and certificates of indebtedness.

Changing Bank Needs

A good measure of progress among individual banks, as in other lines of business, is the extent to which they anticipate or conform to changing conditions by changing their own operations. Competition in banking is extremely keen and the big banks have achieved their positions of leadership only by their constant alertness in finding new and better ways to serve the public.

Mergers are one way to provide such better service and at the same time to hold under control the inevitable rise in operating expenses. Several of the big banks pride themselves that they offer more than fifty different services, and that every one is available through each of their fifty or more different offiices.

More mergers and more branches are normal trends that undoubtedly will proceed much further, inasmuch as they promote safer as well as better banking. Many of the specialized departments necessary in running a modern bank could handle the work for an organization several times as large with little increase in expense.

It is worth noting that there has been considerable difference in the relative growth of the leading banks in different sections of the country during recent years. Population growth has been sharpest in the Rocky Mountain and Pacific regions, while personal income gains have been sharpest in the South and West.

For the top banks in all parts of the country, however, the outlook for the coming year continues generally bright because of such over-all influences as the growing geographical decentralization of industry, the growth of much bigger commercial customers to be financed, the likelihood of continued record-level business activity, and the virtual certainty of heavy credit demands at firm interest rates. Such rates conceivably might be pushed even higher, by the pressure of demand and by the Federal Reserve authorities, before they level off.

Some Attractive Stocks

Thus the "billion dollar" banks both in New York and other cities all are regarded favorably by investors from the standpoint of stability of earnings plus a modest long-term growth factor. Some of them, however, stand out as particularly attractive because of their outstanding progress achieved in 1955 and revealed by their annual statements just published.

Bank of America, with headquarters in San Francisco, is the country's largest bank, with total resources at the year-end of over $9.6 billion. It also registered the largest dollar gain during the year, amounting to $506 million or 5½ per cent. Aside from its substantial expansion in resources, there was a marked shift of funds from U. S. Government securities into loans, which will increase the operating earnings during 1956. This institution operates over 500 branches throughout the State of California and does a "department store" type of business that includes practically all phases of lending, investment, trusts, etc. It has a large savings account business and there are no mutual savings banks in California to compete with, in contrast with the New York banks which compete with large mutual savings banks—led by the Bowery Savings Bank with total resources of over $1.3 billion. The dividend rate of $1.75 annually is conservative and gives a yield of over 4 per cent on the present market price. Such dividend might readily be stepped up moderately in the future.

First National City Bank of New York continues to be well regarded as a high-grade investment issue. Its change of name was made March 20, 1955 when National City Bank of New York purchased for cash the First National Bank of New York. The bank operates some 70 branches throughout Greater New York and some 60 branches overseas, and is aggressively expanding. (*Please turn to page 526*)

Table B: Changes in Interest Rates and Bond Yields During the Past Year

	Jan. 1955	Jan. 1956
MONEY RATES		
Prime commercial loans	3.00	3.50
Commercial paper, 4-6 mos.	1.37	3.00
Bankers acceptances, 90 days	1.25	2.50
Treasury bills, 3 months	1.05	2.49
Fed. Res. Bank rediscounts	1.50	2.50
Treasury certificates, 9-12 mos.	1.12	2.62
Treasury notes, 3-5 years	1.96	2.85
BOND YIELDS		
Baa Corporate bonds	3.44	3.63
AAA Corporate bonds	2.92	3.16
Long-term U.S. bonds	2.58	2.96
High grade municipal bonds	2.35	2.72

IMPORTANT INDIVIDUAL 1955 PRICE MOVEMENTS IN THE 300 STOCKS REPRESENTING THE MAGAZINE OF WALL STREET COMBINED AVERAGE

STOCKS SHOWING ADVANCES

	1955 High	1955 Low	1955 Last	Increase in Points	Percentage Change %
A C F Industries	71	46⅝	67¾	+18	+36
Air Reduction	41¼	27⅜	40¼	7¼	22
Allegheny Ludlum Steel	70⅝	38¾	64	19⅞	44
Allied Chemical	122¾	93	115½	12⅞	12
Allied Stores	63¾	51¾	56½	3¼	6
Aluminium, Ltd.	119¾	72¼	107½	29¾	38
American Airlines	29⅛	20½	24	1⅝	7
American Can	48⅛	38¼	47⅛	2⅜	5
American Cyanamid	69¼	48	67½	12⅝	23
American Gas & Elec.	52¾	40	49½	6¾	15
American Home Products	96	65	89½	20¼	29
Amer. Smelt. & Refining	58⅜	40⅝	50⅛	5	11
Amer. Steel Foundries	43¾	29⅝	43¾	11⅝	36
Amer. Tel. & Tel.	187⅜	172¾	180⅜	5⅜	3
American Tobacco	82½	62⅝	81¼	15¾	24
American Viscose	71⅜	30⅞	48⅛	14½	32
Anaconda Company	83	47	70⅞	18⅞	36
Armco Steel	55¼	32⅝	54⅜	18	50
Armour & Co.	18	13½	17½	2¾	18
Atchison Top. & S. Fe	162	121½	146⅞	16⅜	12
Babcock & Wilcox	114	66	103½	30½	41
Baltimore & Ohio	53⅜	35¾	47¼	8	20
Bethlehem Steel	169½	101½	163⅝	54½	49
Boeing Airplane	88½	54⅝	79⅜	5¾	7
Borg Warner	48¼	34¾	41⅞	4	10
Bridgeport Brass	49⅛	38	47⅞	6⅞	16
Bucyrus Erie	43	33	42⅝	7¼	20
Budd Co.	23	15⅝	21	3⅞	22
Burroughs Corp.	34¼	22⅞	31	6⅜	26
Chesapeake & Ohio	56¾	42½	54¼	8⅝	19
Chrysler	101½	66⅛	86½	3½	5
Climax Molybdenum	80¾	55¾	68	11	19
Continental Baking	41½	27⅛	35¾	5⅝	18
Continental Can	88½	72⅛	88	9¼	11
Continental Oil	105	70	100	25	33
Curtiss-Wright	30¼	15¾	29	11⅝	66
Delaware & Hudson	87	51½	86½	31	55
Du Pont	249¾	157	231	63½	37
Eastman Kodak	87⅞	67	81	8⅞	12
Electric Storage Batt.	34¼	27¾	32¼	3¼	11
Freeport Sulphur	98⅜	68	91¼	20¼	28
General Electric	57¾	46¼	57¾	11	23
General Foods	96¼	75	94	17¾	23
General Motors	54	29⅞	46¼	13⅝	41
Goodrich (B. F.)	87¼	59½	86¾	23¼	36
Goodyear Tire & R.	66¼	50¾	65	10⅞	20
Gulf Oil	93⅞	61½	92½	26½	40
Houston Oil	149½	98	143¾	33¼	30
Inspiration Copper	68	35¼	57⅝	18⅞	48
International Nickel	87⅝	57⅛	82⅜	23½	40
International Paper	117½	82	113¾	25	28
International Tel. & Tel.	31⅛	23¾	30⅛	4¼	16
Kennecott Copper	129½	98¾	117⅝	12⅛	11
Lone Star Cement	73	56	71½	13¼	22
Mack Trucks	32¼	19⅜	27¾	7⅛	35
Martin, G. L.	44	23⅛	38	6¼	20
Merck	30¾	20	27⅝	4⅛	17
Miami Copper	60	32¼	50	13⅞	38
Montgomery Ward	107½	73½	94¼	14⅝	18
National Container	24¼	14¼	22¾	6⅜	38
National Steel	77½	58	71¾	6¼	9
New York Central	49½	31¾	46⅜	12⅞	38
North Amer. Aviation	92¼	47¼	88⅜	36⅝	70
Otis Elevator	78¾	61	77	10⅜	15
Pepsi Cola	24⅝	17⅞	22¼	3⅝	19
Phelps Dodge	64¾	48	58⅛	5⅞	11
Phillips Pet.	83¾	69½	82⅛	7⅛	9
Pullman	74¾	56⅝	73¾	9	13
Radio Corp. of Amer.	55⅜	36¾	47⅛	8⅝	22
Reynolds Tobacco 'B'	54⅞	40	53⅞	12¼	28
Richfield Oil	82	64½	78¾	5⅞	8
St. Joseph Lead	55	40	50⅛	6⅜	14
St. Louis-San Francisco	34⅞	25½	31⅜	3⅛	11
St. Regis Paper	49¾	33⅝	43½	3⅜	8
Safeway Stores	58¼	42⅛	57⅛	12	26
Sinclair Oil	59¾	48½	57⅞	5¾	11
Socony Mobil Oil	65½	49⅞	64½	10⅛	18
Southern Calif. Edison	54¾	44¾	51⅛	4⅞	13
Southern Railway	112	72¾	110	30⅝	38
Spiegel	17¼	10¼	16¼	5⅜	49
Square D	55¼	40½	52¼	6¾	14
Standard Oil Calif.	98¾	73¼	91	14	18
Standard Oil of Ind.	53¾	42¾	51	2⅞	6
Standard Oil N. J.	154	106⅝	152⅝	42	38
Stewart Warner	38⅜	23¾	36⅛	10	38
Stokely Van Camp	21	19⅛	20¼	2½	14
Symington-Gould	9⅝	6½	9	2¼	33
Texas Co.	121½	83½	121½	35½	41
Textron-American	25⅝	12	24¾	12¾	106
Tide Water Assoc.	35⅛	24	33¾	8⅛	32
Union Bag & Paper	113	69	100½	29½	41
Union Carb. & Carbon	116¼	80⅜	110⅛	23⅞	27
Union Pacific	205	139	179½	26	17
United Air Lines	49½	34¼	39½	1¾	4
U. S. Industries	16¼	12	15¾	2¼	16
U. S. Rubber	53⅝	39⅝	51⅞	7⅜	16
U. S. Steel	62¼	33¾	58	21⅛	59
Vanadium Corp. of Amer.	47½	35⅛	43⅞	4⅛	10
Walworth Co.	16⅛	7¾	13¾	5¾	72
Western Union Tel.	28⅞	18½	21⅝	1⅝	8
Westinghouse Air Brake	32⅝	25⅛	30¼	3⅝	13
White Motor	51½	34¼	38⅞	4	11
Wilson & Co.	15⅝	10⅝	14⅝	2½	20
Youngstown Sheet & Tube	108¼	67½	95¾	22	29
Zenith Radio	142½	86	140	50½	56
Zonite Products	10¼	6⅝	9	1⅞	25

STOCKS SHOWING DECLINES

	1955 High	1955 Low	1955 Last	Decrease in Points	Percentage Change %
Abbott Laboratories	48⅜	37⅞	42⅛	— 6¼	—13
Admiral Corp.	30¼	20¼	21⅞	6⅜	22
Allis-Chalmers	81⅛	61¼	67⅝	5⅜	7
American Cable & Radio	9¾	6⅛	6¼	3¼	36
American Motors	13⅜	8½	8¾	3¼	27
American Rad. & S.S.	27⅜	21¼	23⅜	1⅛	4
Atlantic Refining	40¾	34¼	36¼	2¾	7
Borden Co.	66⅜	61	61	3⅜	5
Braniff Airways	18⅞	12¼	14½	1½	9
Carrier Corp.	64¾	48⅛	56½	6	9
Celanese Corp.	26¼	19⅛	21⅛	4¾	18
Certain-teed Prod.	29⅞	23½	25	3¼	11
C. I. T. Financial	50⅜	42½	46¼	1	2
Commercial Credit	57¾	46¼	51	1⅞	3
Commonwealth Edison	47⅞	38⅛	41¼	4⅝	10
Crane Co.	48¾	34⅜	37¼	2½	6
Flintkote	46½	36¼	38½	2⅜	6
Grumman Aircraft	45¾	32⅝	35½	2½	6
Homestake Mining	48	34⅜	35⅜	12⅜	25
International Harvester	41⅛	35⅛	36½	1¼	3
Loew's	24⅝	17½	19¼	2⅜	11
Lorillard (P.) Co.	25⅞	20	20⅛	5⅝	21
National Biscuit	45¼	37½	38¾	5	11
National Distillers	23⅞	19	21¾	2	8
N. Y. New Haven & Hart.	39	28	29¼	5⅛	15
Paramount Pictures	44⅜	36	36⅞	3¼	8
Philco Corp.	43⅜	30	33⅝	4⅜	11
Seaboard Air Line	87½	69½	74⅞	1⅝	2
Stude.-Packard	15	9	10⅛	3½	25
Sunshine Mining	12⅞	8⅞	10	1⅞	16
Texas Gulf Sulphur	44⅞	36⅜	37⅜	4¾	11
Trans World Airlines	35½	22⅛	25¼	4½	15
Twentieth Century Fox	31⅜	24¼	24⅝	5⅛	17
United Cigar Whelan	6¼	4⅜	4¾	¾	13
United Fruit	60	51⅛	53	3⅝	6
Warner Bros. Pictures	22⅜	18¼	19⅜	1	5
Westinghouse Electric	83¼	53¼	60	20½	25
Woolworth (F. W.) Co.	52⅞	45¾	47½	4¼	8
Worthington Corp.	59½	43¼	48⅛	1⅜	2
York Corp.	27⅞	19	23¼	3½	13

FOR

PROFIT AND INCOME

January

On average, January has been a so-so month for the market, despite a carry-over of seasonal year-end strength into the forepart of the month in most instances. It has brought some net gain for the Dow industrial and rail average in a little more than three years out of five since 1897. Considering the fact that bull markets habitually are of longer duration than bear markets, this record is pretty much in line with what the straight arithmetic odds would figure to be for any month. The "year-end move" in the present instance was a trading-range rally of minor scope, confined to the last two weeks of December, with softening, rather than a carry-over of strength, developing in the early-January trading sessions. On balance, December was an up month for the industrial average, as it has been in 42 out of the past 58 years, but by a margin of only little more than 5 points. It was a down month for the rail average by over 3 points, making the long-term record one of net December gain in 34 years, net decline in 24 years. Behind us now is a broad rise in stock prices. With us now is acute uncertainty whether President Eisenhower's February decision will be for or against seeking re-election, and some questions about the business outlook beyond the medium term. So, if January turns out to be an up month at all for the market, it is hard to imagine it could be by more than a nominal margin. The reverse would be no surprise.

Stock Groups

At this writing, with the market as a whole going no place in particular, stock groups making a better-than-average showing—in most cases by no means a dynamic one — include aluminum, coal, proprietary drugs, food brands, machine tools, mail order issues, natural gas, shoes and tobaccos. Faring somewhat worse than average are aircraft, air transport, automobiles, auto parts, building materials, metal fabricating, movies, radio-TV, and textiles.

Sheep And Goats

Individual stocks showing above-average strength in recent trading sessions up to this writing include Alcoa, American Steel Foundries, Beckman Instruments, Cincinnati Milling Machine, Emerson Electric, Manhattan Shirt, Bucyrus Erie, Dow Chemical, Ex-Cell-O, Filtrol, General Electric, Goodrich, Grand Union, Grant, Great Northern Paper, Island Creek Coal, Joy Mfg., Lehigh Portland Cement, Louisville & Nashville, Mississippi River Fuel, Rohm & Haas, Texas Company, U. S. Industries, Warner Lambert, and Stone & Webster. Against that, issues on the soft side include Borden, Lionel, Dan River Mills, National Auto Fibers, Paramount Pictures, Phoenix Hosiery, Ruberoid, Bulova Watch, and Mohasco Industries.

Since September

The Dow industrial average recorded a new all time high on December 30 at a level slightly less than 1 point above the top recorded September 23 shortly before the market "fell out of bed" on news of the President's heart attack. At the December 30 high

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Chesapeake & Ohio Rwy.	Year Dec. 31	$7.25	$5.01
Kaiser Alum. & Chemical	Quar. Nov. 30	.60	.43
Murray Corp. of America	Quar. Nov. 30	1.10	.97
Northern Pacific Rwy.	11 mos. Nov. 30	7.11	5.38
Illinois Central R.R.	11 mos. Nov. 30	7.24	5.75
Eversharp, Inc.	9 mos. Nov. 30	1.74	.92
Western Union Telegraph	11 mos. Nov. 30	1.80	1.19
Masonite Corp.	Quar. Nov. 30	1.40	.77
Ohio Edison Co.	12 mos. Nov. 30	3.53	2.99
Caterpillar Tractor	11 mos. Nov. 30	3.64	2.79

about half of all Big Board individual stocks were above their September 23 levels, the great majority by small margins. About a fourth were insignificantly changed on balance, and the remaining fourth were down. Between the two points cited, only a handful recorded big net gains. They included American Hawaiian, Rohm & Haas, Warren Foundry, North American Aviation, Schering, U. S. Gypsum, Douglas Aircraft, Hercules Powder, Houston Oil, Standard Oil (New Jersey), Warren Petroleum, Boeing, Ex-Cell-O, Zenith Radio, United Aircraft, Joy Mfg. and Honolulu Oil.

Rail Equipments

Up to December 31 railroads could order freight cars with the bulk of the capital cost subject to recapture in five years via tax offsets (accelerated amortization). The fact that this advantage was nearing expiration induced a heavy concentration of orders for cars in November and December, lifting the backlog to the highest level in some years. It is big enough to assure about two years of good business and profits for freight car builders and suppliers of component parts. Production will rise moderately, rather than sharply, because (1) present shortage of steel is a limiting factor; and (2) the railroads have specified spaced-out deliveries extending well into the future. Having been in the investment "dog house" for many years —it would be more accurate to say speculative "dog house"—rail equipment stocks are at a far less advanced level than the general market, although they have had a substantial rise within comparatively recent months. They are reasonably priced on likely 1956-1957 earnings, current yields are well above average, and some dividend boosts are no doubt ahead. All of this argues for a better-than-average 1956 market performance, perhaps in the form of worthwhile further advance. But the $64 question is the valuation that might be put on earnings. This is a matter of "crowd psychology". Hence, statistics and analysis can throw little light on it. It is a cyclical industry; the recent heavy bookings are nonrecurrent; new orders will now be lean for a long time to come. The stocks show a long succession of descending bull-market tops. Institutional investors, with the exception of some mutual funds, will not touch them.

Examples

Here are some fairly typical examples of long-term price performance (taking tops only) of rail equipments: American Steel Foundries: 1929 high 79⅞, 1937 high 73¼, 1946 high 50⅛, present price 42. American Brake Shoe: 1929 high 56⅜, 1937 high 73⅜, 1946 high 58⅝, present price 40. Westinghouse Air Brake: 1929 high 52½, 1937 high 44⅜, 1946 high 32, present price 30. While passing up 6% yields on rail equipments, at price-earnings ratios of 7.0 or 8.0, institutional investors are keen about Dow Chemical (as just one example of a popular growth stock) at present price of 60, which is about 25 times likely current-year earnings, yielding less than 1.7% on a $1 dividend. Whether this is wise on a forward view may be debatable. But on a backward view there is no question that preference for dynamic growth, regardless of price-earnings ratios and yields at any given time, has paid off handsomely. Here is Dow's long-term record of market highs: 1929 5, 1937 13¼, 1946 16, present price 60.

Moral

What has been said leads to the following conclusion: (1) If you want to speculate now for possible six-months capital gains, rail equipments merit consideration. So do various other speculative stocks which appear in line for above-average gains in 1956 earnings, of which a few examples are American Airlines, Bridgeport Brass, American Broadcasting-Paramount, Pepsi-Cola, Masonite, Blaw-Knox, U. S. Industries, Mueller Brass, Gimbel Brothers or Textron American. (2) If you want to invest money with relatively little cyclical risk, buy secure-dividend income stocks such as American Gas & Electric, Beneficial Finance, Consolidated Natural Gas, Corn Products, Melville Shoe, Pacific Lighting, Reynolds Tobacco or similar issues. (3) If you want to invest for long-pull capital gain, and are willing to ignore interim market fluctuation, buy growth stocks. Among the choice ones, even though premium-priced, are: Eastman Kodak, National Lead, Scott Paper, duPont, Dow, Union Carbide and Minnesota Mining & Mfg. Of lesser rank, but more reasonably priced on probable 1956 earnings, some good choices are Halliburton Oil Well Cementing, American Cyanamid, McGraw-Hill, Outboard Marine & Mfg.

Movies

There was a time when, in the absence of much else to do, people went to the movies in droves, without being too fussy about the quality of the entertainment served up to them. It's far different now. It takes big-hit pictures to fill the theatres, and the industry evidently cannot produce enough of them. Wide-screen projection, like previous novelties on the technical side, has proved a minor and short-lived box office stimulus. U. S. movie patronage reached a peak under abnormal war-time stimulants in 1945, with average weekly theatre attendance of about 98,000,000. There was, of course, no television at the time, and gasoline rationing prevented normal use of cars for recreation. By 1952, according to trade estimates, weekly attendance had fallen to an average of 45,000,000 against about 85,000,000 in the prewar year 1939 and around 75,000,000 as far back as 1935. There was a rebound to around 50,000,000 in 1953 and

(*Please turn to page* 528)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

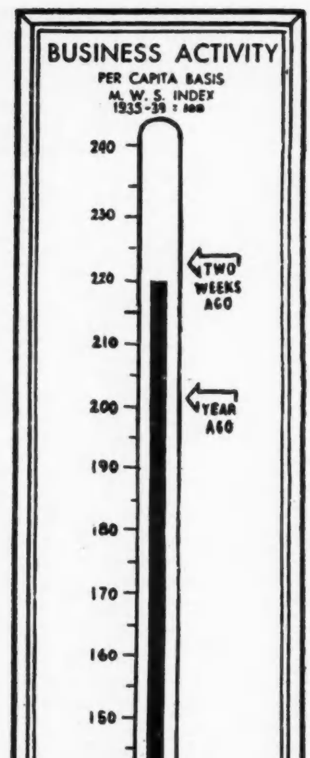
		1955	1954
Natomas Company	Year Sept. 30	$ .09	$ .13
Raytheon Mfg. Co.	6 mos. Nov. 30	.49	.86
Schenley Industries	Quar. Nov. 30	.61	1.01
American & For. Pow. & Subs.	9 mos. Sept. 30	1.33	1.51
Lukens Steel Co.	Year Oct. 22	5.44	6.33
Beech Aircraft	Year Sept. 30	4.78	5.64
Homestake Mining Co.	10 mos. Oct. 31	1.53	1.79
Gamewell Co.	6 mos. Nov. 30	1.58	1.70
Nash., Chatt. & St. L. Rwy.	10 mos. Oct. 31	3.46	9.61
Sheraton Corp. of Amer.	6 mos. Oct. 31	.80	1.90

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

Now that the reviews of The Economy, 1955 Model, are in, the Madison Avenue and Hollywood superlatives can be interred as we face 1956 amid prospects that a number of key industries may not measure up to the boom proportions that characterized a bygone year. In 1955, nearly every segment of the economy, with the notable exception of agriculture, operated around peak levels. Gross national product was on the order of $387 billion, a rise of 7% from 1954 and up 6% from 1953, the previous high.



This lofty plateau was achieved with a considerable contribution from the automotive industry, which smashed every previous record, and the building business, which eclipsed all records for the tenth successive year. In their turn, these industries had a considerable contribution from a credit situation that permitted almost anybody who was gainfully employed to buy, without any cash, a new car or a new home.

The stimuli engendered by the production of more than 9 million cars and trucks along with over $42 billion of new construction and $15 billion for maintenance and repairs were reflected throughout the economy—demand for steel outran supply, non-ferrous metals were often hard to come by, the paper industry operated full tilt and stores rang up record sales.

Going into 1956, the economy can't expect the automotive field to supply the kind of lift that was provided last year, although credit for car purchasers is just as plentiful and easy. Not that the automobile business is headed for a slump — it's merely going to be more normal. The hectic productive pace of 1955 has left a stockpile of unsold cars on the order of 700,000 units. A year earlier dealer inventories stood at about 265,000 units. Ford Motor Co., No. 2 producer of the industry, plans to lay off more than 1,600 hourly workers as it returns to a 40-hour work week. Through most of 1955, Ford operated on an overtime basis of 53 hours. Nor are cutbacks confined to Ford, for in early January the industry was producing far less cars than in the first days of 1955.

Building, maintenance and repair, the other vital prop under our booming economy, last year represented about 15% of the GNP and, incidentally, accounted for more than 15% of the country's total employment. Construction activity in 1955 rose 12% from the year-earlier level, thanks to the continuing home-building spree. The new housing starts totaled about 1.3 million units, second only to the 1,396,000 in 1950. Even that fantastic peak might have been topped but for the action of the Government in August, tightening mortgage terms. Liberal mortgage terms have played a dominant role in sparking home-building. During most of last year, a war veteran could buy a home without making a down-payment and take as long as 30 years to pay. Mortgages insured by the Federal Housing Administration required only a 5% down-payment. The result was a staggering rise in the total amount of mortgages outstanding on family-type homes. The total is in excess of $86 billion, an all-time high. Concerned over this enormous debt, the Government tightened mortgage terms, eliminating no-down-payment and shortening length of loans.

The expansive spending of 1955 was not confined to motor cars and homes. The American people were going "on the cuff" for just about everything—appliances, clothing, vacations and the like. This spending outran the rise in disposable income, large as that was. Of course, credit had to be called on increasingly to fill the gap.

If 1956 is to top the dizzy pace of 1955, it would seem that the lift would have to come from sources other than car and home production or expanded consumer credit.

The Business Analyst

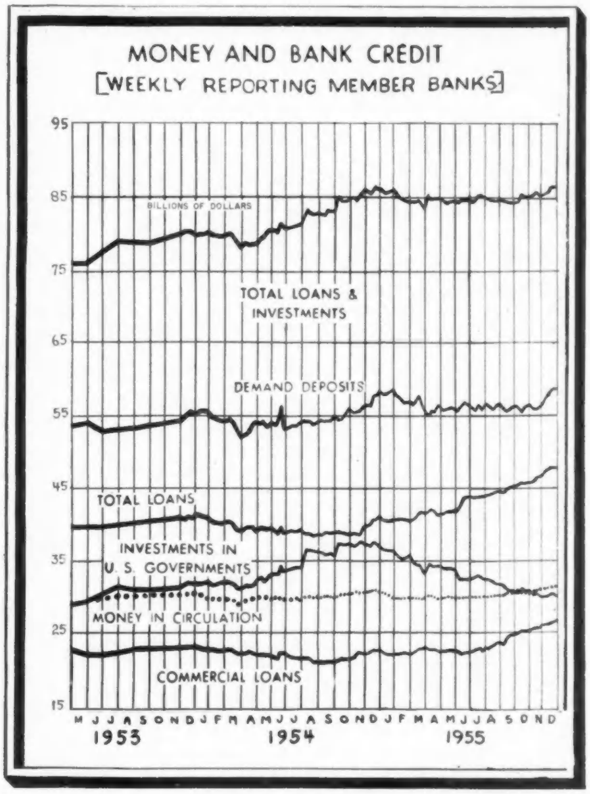
HIGHLIGHTS

MONEY & CREDIT—Advent of the New Year has brought with it the usual seasonal return flow of currency and repayment of bank loans. Thus far, the only observable effect of this development on the short-term money market has been a slight drop in yields of the weekly Treasury bill issue, with the latest offering, which was sold on January 9, bringing 2.596% versus a 2.688% rate of return that had to be paid two weeks earlier. No one is expecting a great change in money market conditions in the near future as the result of the seasonal easing of demand for funds. The Federal Reserve is fully cognizant of seasonal fluctuations and will undoubtedly take steps to mop up any excess reserves that may be created. In fact, some quarters are predicting that another increase in the rediscount rate will be ordered, if necessary, to prevent any marked decline in short-term borrowing costs.

In the markets for long-term bonds, the quiet of recent weeks remains unbroken. Treasury 3s of 1955 have been selling at close to their issue price for months and no sudden change seems imminent. Highest grade corporate issues, which made their lows as long ago as last August, have been in a sidewise trend for some time, while municipal obligations, which had been in supply late last year, showed some evidences of firming in the first days of 1956. In general, long-term yields have reached an area of stability which will be broken only if important changes in business trends become evident.

In the new issue field, there has been a relative hiatus of offerings, and this has enabled dealers in municipals to reduce top-heavy inventories to more manageable proportions. The Blue List indicates that the total "float" of unsold tax-exempts was down to $204 million on January 9, a sharp reduction from the $400 million level prevailing less than two months ago. Underwriters in general are welcoming the diminution of new bond flotations on tap in the near future, as a good deal of their money is being tied up by the gigantic sale of Ford Motor Company stock, scheduled for January 18. Once that is out of the way, dealers will be in a better position to absorb an increase in offerings of fixed income securities, scheduled for late this month.

—o—



TRADE—Retailers had a record year in 1955 with total dollar volume adding up to almost $186 billion, 9% ahead of the previous year's record. Consumer spending increased steadily through September of last year, on a seasonally adjusted basis, but stabilized thereafter. Lower auto sales in recent months have counterbalanced gains in other sectors, thus bringing to a halt, the rise in dollar volume of sales.

—o—

INDUSTRY—Industrial output in December and early January was holding at close to peak levels in most sectors of the economy. Strong spots included electric power output, crude oil production and steel, with the latter operating at close to rated capacity. The only areas of slowdown were in some household goods and in auto assemblies, where output had outraced demand. Passenger car production fell to 681,000 units in December, versus an original schedule that called for 750,000 vehicles to come off the assembly lines. Only 123,000 autos were built in the first week of January, a figure that is not far out of line with actual sales. Auto inventories are still too high and this may force a further cut in output. A continued lag in auto production would eventually affect many related lines and thus would result in some contraction of over-all industrial output.

—o—

COMMODITIES—The Bureau of Labor Statistics' index of spot prices of 22 leading commodities was higher in the two weeks ending January 6, adding 0.7% during the period to close at 90.5% of the 1947-1949 average. At this level it was virtually unchanged from a year ago. All components of the index advanced in the most recent

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Nov.	3.0	3.1	3.2	1.6
Cumulative from mid-1940	Nov.	608.4	605.4	568.1	13.8
FEDERAL GROSS DEBT—$b	Jan. 3	280.8	280.7	278.8	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Dec. 28	58.9	58.7	58.4	26.1
Currency in Circulation	Jan. 4	31.2	31.4	30.4	10.7
BANK DEBITS—(rb)**					
New York City—$b	Nov.	68.2	66.9	63.2	16.1
343 Other Centers—$b	Nov.	110.9	104.1	99.1	29.0
PERSONAL INCOME—$b (cd2)	Nov.	311.4	309.2	290.8	102
Salaries and Wages	Nov.	215	213	199	99
Proprietors' Incomes	Nov.	50	50	48	23
Interest and Dividends	Nov.	28	27	25	10
Transfer Payments	Nov.	17	17	17	10
(INCOME FROM AGRICULTURE)	Nov.	15	15	15	3
POPULATION—m (e) (cb)	Nov.	166.3	166.0	163.5	133.8
Non-Institutional, Age 14 & Over	Nov.	117.9	117.7	116.6	101.8
Civilian Labor Force	Nov.	67.2	67.3	64.6	55.6
Armed Forces	Nov.	3.0	3.0	3.3	1.6
unemployed	Nov.	2.4	2.1	2.9	3.8
Employed	Nov.	64.8	65.2	61.7	51.8
In Agriculture	Nov.	6.9	7.9	6.2	8.0
Non-Farm	Nov.	57.9	57.3	55.6	43.2
Weekly Hours	Nov.	40.5	42.0	40.6	42.0
EMPLOYEES, Non-Farm—m (lb)	Nov.	50.6	50.5	48.8	37.5
Government	Nov.	7.1	7.1	6.9	4.8
Trade	Nov.	11.1	10.9	10.7	7.9
Factory	Nov.	13.5	13.4	12.7	11.7
Weekly Hours	Nov.	41.2	41.1	40.2	40.4
Hourly Wage ($)	Nov.	1.93	1.91	1.83	0.66
Weekly Wage ($)	Nov.	79.52	78.50	73.57	21.33
PRICES—Wholesale (lb2)	Jan. 3	111.5	111.4	110.1	66.9
Retail (cd)	Oct.	208.6	208.9	207.6	116.2
COST OF LIVING (lb2)	Oct.	114.9	114.9	114.5	65.9
Food	Oct.	110.8	111.6	111.8	65.9
Clothing	Oct.	104.6	104.6	104.6	59.5
Rent	Oct.	130.8	130.5	129.0	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Oct.	15.8	15.8	14.1	4.7
Durable Goods	Oct.	5.8	5.8	4.7	1.1
Non-Durable Goods	Oct.	10.0	10.0	9.4	3.6
Dep't Store Sales (mrb)	Oct.	0.92	0.92	0.85	0.34
Consumer Credit, End Mo. (rb)	Oct.	34.6	34.3	29.0	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Nov.	28.1	27.5	23.1	14.6
Durable Goods	Nov.	14.6	14.1	10.5	7.1
Non-Durable Goods	Nov.	13.6	13.4	12.7	7.5
Shipments—$b (cd)—Totals**	Nov.	27.4	26.7	24.0	8.3
Durable Goods	Nov.	13.8	13.3	11.3	4.1
Non-Durable Goods	Nov.	13.6	13.4	12.7	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Oct.	80.7	80.0	76.9	28.6
Manufacturers'	Oct.	45.2	44.7	43.2	16.4
Wholesalers'	Oct.	12.2	12.0	11.7	4.1
Retailers'	Oct.	23.3	23.2	22.0	8.1
Dept. Store Stocks (mrb)	Oct.	2.6	2.6	2.4	1.1
BUSINESS ACTIVITY—1—pc	Dec. 31	220.2	223.6	203.0	141.8
(M. W. S.)—1—np	Dec. 31	282.0	286.3	253.8	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 449)

two weeks with metals making the biggest gain, one of 2.8%. Raw foods were up 0.2%, industrial commodities added 0.9%, livestock gained 0.3%, textiles and fibers 0.6% and fats and oils advanced 1.5%.

—o—

Outlays for **NEW CONSTRUCTION** came to $3.4 billion in December, bringing expenditures for this purpose in all of 1955 to a record $42.3 billion, 12% above the 1954 figure. This is the ninth consecutive year that this important sector of the economy has reached a new top. Private construction expenditures in 1955 amounted to $30.3 billion, a 17% gain over a year ago, while public construction was 2% higher. Private residential building, at $16.6 billion last year, topped 1954 results by better than 20%. Expenditures for this type of construction advanced steadily until mid-Summer but have slowed somewhat since then, although still running some 6% ahead of year-ago figures.

* * *

NEW ORDERS received by manufacturers were higher in November, amounting to $28.1 billion on a seasonally adjusted basis, versus $27.5 billion a month earlier. Producers were heartened by the upturn in orders after two months of decline and welcomed the fact that incoming orders continued to top shipments—by $700 million in the latest month. Manufacturers' inventories also were higher in November, indicating that final demand is not absorbing all of current production.

* * *

Individuals added $2.8 billion to their **NET LIQUID SAVINGS** in the third quarter of 1955, a sharp reversal of the previous quarter's results when savings actually fell by $500 million. One reason for the better showing was the continued increase in disposable income while consumer spending leveled off. In addition, individuals had the burden of large tax payments in the second quarter. Consumer debt continued to mount in the latest period with home mortgage commitments up $3.4 billion versus a $3.3 billion increase in the second quarter and one of $2.4 billion a year ago. Consumer loans were $1.6 billion higher. In the previous quarter they jumped by $2.2

and Trends

	Date	Latest Wk. or Month	Month	Ago	Harbor*
INDUSTRIAL PROD.—Ia np (rb)	Oct.	142	142	126	93
Mining	Oct.	122	122	109	87
Durable Goods Mfr.	Oct.	161	160	139	88
Non-Durable Goods Mfr.	Oct.	128	127	117	89
CARLOADINGS—t—Total	Dec. 31	575	672	529	933
Misc. Freight	Dec. 31	298	342	273	379
Mdse. L. C. I.	Dec. 31	46	56	52	66
Grain	Dec. 31	37	43	37	43
ELEC. POWER Output (Kw.H.) m	Dec. 31	10,751	11,614	9,425	3,266
SOFT COAL, Prod. (st) m	Dec. 31	9.1	10.3	7.4	10.8
Cumulative from Jan. 1	Dec. 31	465.0	454.9	392.0	44.6
Stocks, End Mo.	Nov.	70.3	71.7	71.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Dec. 30	7.0	7.0	6.3	4.1
Gasoline Stocks	Dec. 30	165	162	157	86
Fuel Oil Stocks	Dec. 30	40	40	53	94
Heating Oil Stocks	Dec. 30	113	118	110	55
LUMBER, Prod.—(bd. ft.) m	Dec. 31	144	212	181	632
Stocks, End Mo. (bd. ft.) b	Oct.	8.6	8.5	9.1	7.9
STEEL INGOT PROD. (st) m	Nov.	10.2	10.5	8.1	7.0
Cumulative from Jan. 1	Nov.	106.5	96.3	80.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Dec. 29	277	458	216	94
Cumulative from Jan. 1	Dec. 29	18,722	18,445	14,412	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Dec. 31	291	219	215	165
Cigarettes, Domestic Sales—b	Oct.	33	32	32	17
Do., Cigars—m	Oct.	551	563	567	543
Do. Manufactured Tobacco (lbs.)m	Oct.	17	17	18	28

PRESENT POSITION AND OUTLOOK

billion, while in the third quarter of 1954 they were up only $100 million.

* * *

The **SULPHUR INDUSTRY** set new records last year, in keeping with the high rate of general industrial activity. Sulphur production reached 6.9 million tons, a 250,000 ton increase over the previous year. Consumption plus export hit an estimated 7.1 million tons, which is 400,000 tons ahead of 1954 results. Several new mines came into production in 1955 while no new major source of output is in prospect for this year.

* * *

NET WORKING CAPITAL of U. S. corporations increased further in the third quarter of 1955, reaching $102.3 billion on September 30, a gain of $1.7 billion since mid-year and $6.8 billion ahead of a year ago. Current assets rose by $8.8 billion in the latest period while current liabilities were $7.1 billion higher. Holdings of cash and U. S. Government securities increased by $2.3 billion but the ratio of these items to all current liabilities declined slightly to 54%, from 55.4% on June 30.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). Ia—Seasonally adj. index (1947-9—100). Ib—Labor Bureau. Ib2—Labor Bureau (1947-9—100). Ib3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

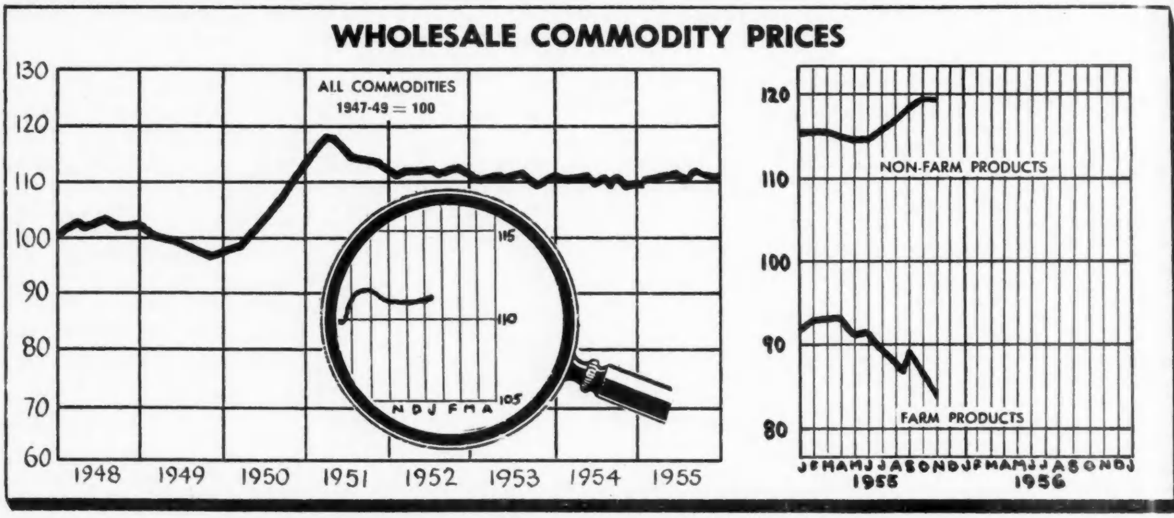
No. of Issues (1925 Cl.—100)	1955-56 Range High	Low	1955 Dec. 30	1956 Jan. 6
300 Combined Average	329.8	282.0	329.2	328.4
4 Agricultural Implements	348.7	264.9	327.1	327.1
3 Air Cond. ('53 Cl.—100)	116.0	87.0	99.8	103.8
9 Aircraft ('27 Cl.—100)	1205.5	871.7	1196.2	1148.4
7 Airlines ('27 Cl.—100)	1263.6	971.2	1044.3	1033.9
4 Aluminum ('53 Cl.—100)	388.1	191.1	370.4	366.7
6 Amusements	180.6	147.0	156.6	153.5
9 Automobile Accessories	368.6	308.3	355.9	348.8
6 Automobiles	55.8	44.3	51.2	50.7
4 Baking ('26 Cl.—100)	30.6	27.8	28.7	28.7
3 Business Machines	930.6	657.4	894.1	867.3
6 Chemicals	598.4	466.6	598.4	592.4
4 Coal Mining	20.3	14.8	19.6	19.4
4 Communications	116.6	100.7	104.9	111.2
9 Construction	127.3	106.4	120.7	119.5
7 Containers	762.2	675.1	762.2	762.2
7 Copper Mining	333.4	222.2	298.6	304.6
2 Dairy Products	127.0	116.4	117.6	118.8
6 Department Stores	100.2	80.0	93.7	91.8
5 Drugs-Eth. ('53 Cl.—100)	178.2	129.6	175.5	172.0
6 Elec. Eqp. ('53 Cl.—100)	182.5	151.3	182.5	182.5
2 Finance Companies	651.1	565.1	595.8	613.7
6 Food Brands	300.6	256.2	292.8	295.7
3 Food Stores	163.7	137.7	160.8	159.2

(Nov. 14, 1936 Cl.—100)	High	Low	1955 Dec. 30	1956 Jan. 6
100 High Priced Stocks	220.1	180.6	220.1	218.5
100 Low Priced Stocks	392.5	343.5	390.5	391.3
4 Gold Mining	806.0	649.1	741.8	734.4
4 Investment Trusts	157.1	140.8	157.1	155.5
3 Liquor ('27 Cl.—100)	1155.7	961.3	1015.3	1025.5
9 Machinery	395.8	317.7	385.8	385.8
3 Mail Order	234.1	159.3	219.5	217.3
4 Meat Packing	138.0	112.8	134.4	133.1
5 Metal Fabr. ('53 Cl.—100)	187.0	155.9	187.0	185.1
10 Metals, Miscellaneous	452.3	358.2	430.5	439.1
4 Paper	1057.8	767.1	1049.8	1049.8
22 Petroleum	706.1	590.0	692.2	706.1H
21 Public Utilities	258.5	234.8	251.4	251.4
7 Railroad Equipment	90.6	73.4	90.6	89.7
20 Railroads	77.9	64.7	75.9	75.1
3 Soft Drinks	565.7	459.9	528.9	523.6
12 Steel & Iron	320.0	219.2	311.9	308.8
4 Sugar	68.8	56.1	61.3	63.1
2 Sulphur	964.0	813.2	913.7	922.8
11 Television ('27 Cl.—100)	47.3	40.7	43.6	43.2
5 Textiles	188.9	148.4	184.4	180.7
3 Tires & Rubber	182.7	137.8	182.7	182.7
5 Tobacco	95.7	81.9	94.8	94.8
2 Variety Stores	315.0	286.9	290.1	290.1
15 Unclassif'd ('49 Cl.—100)	158.1	141.9	149.3	149.3

H—New High for 1955-1956.

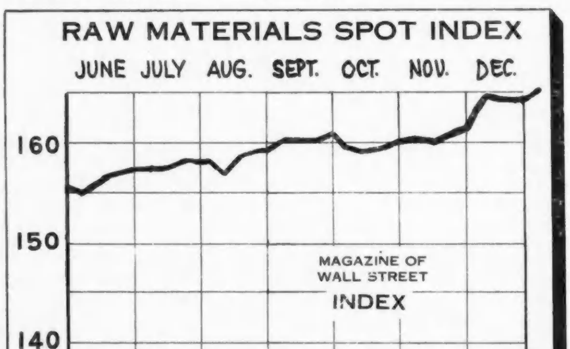
Trend of Commodities

Futures markets for domestic farm commodities were mostly higher in the two weeks ending January 10. At the same time, such industrial commodities as rubber and copper, were lower. Traders were buyers of grain and cotton prior to the unveiling of the Administration's new farm program, on the premise that something would be done to bolster prices. The plan was released on January 9 and received a generally favorable reception. There were some fears however that the proposal to limit the dollar size of loans would force large producers to sell their output on the free market. May wheat added 3¼ cents in the two weeks ending January 10. Aside from the impact of the new farm program, the spreading of drought conditions engaged traders' attention. Some irreparable damage has already been noted and the situation could become a serious one. May corn rallied 2 cents in the period under review to close at 134. Sentiment was aided by CCC denial that it planned to increase its offerings of surplus corn. Placements under the loan are expected to expand significantly this year, with a strengthening effect on prices, later in the season. May cotton rose 38 points in the fortnight ending January 10 to close at 33.62 cents. The President's farm program and various Congressional proposals to aid prices, encouraged buyers. The results of the CCC's offer of 1 million bales of low grade cotton for exports are not available as yet but it is understood that bids have been sharply under going market prices. The Secretary of Agriculture should soon announce the Government support level for this year's crop. This could legally be as low as 75% of parity—as compared with the 1955 level of 90%. However, the expectation is for a loan rate of 80-85%.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

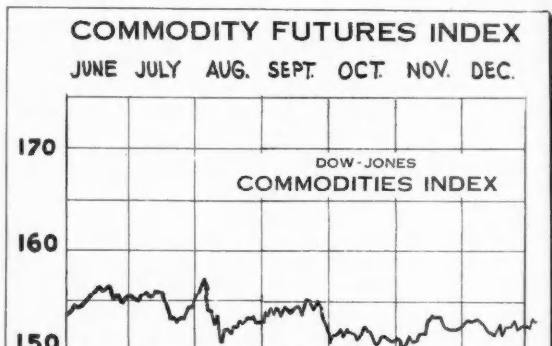
	Date Jan. 6	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.5	89.9	89.5	90.7	53.0
9 Foodstuffs	75.1	74.9	79.2	90.7	46.5
12 Raw Industrial	102.7	101.8	97.2	90.6	58.3
5 Metals	130.3	127.0	118.0	99.6	54.6
4 Textiles	80.6	80.1	78.4	85.5	56.3
4 Fats & Oils	63.6	62.6	64.1	68.4	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1955-6	1954	1953	1951	1945	1941	1938	1937
High	165.3	154.4	162.2	215.4	111.7	88.9	57.7	86.6
Low	153.6	147.8	147.9	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1955-6	1954	1953	1951	1945	1941	1938	1937
High	173.6	183.7	166.5	214.5	95.8	74.3	65.8	93.8
Low	150.8	167.3	153.8	174.8	83.6	58.7	57.5	64.7

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquire will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Libbey-Owens-Ford Glass

"As per your offer when I subscribed recently to your magazine, please send me late information on Libbey-Owens-Ford Glass. I understand this is a good quality issue." F. J., Redlands, Calif.

Libbey-Owens-Ford Glass is one of the two leading domestic producers of safety, window and plate glass. All of General Motors needs are supplied. Automotive glass accounts for about one-half of total sales and the company has achieved a good record, always maintaining strong finances. The company has made greater emphasis on more expensive glass, as well as maintained shipments to the building industry, and continued growth is anticipated in the Fiberglas division.

Net earnings of $26,984,159, equal to $5.19 a share, for the first nine months of 1955, and 51.7% above the comparable period in the previous year, were reported by Libbey-Owens-Ford Glass Co.

In the same period of the preceding year the earnings were $17,785,724, or $3.43 a share. Although third quarter sales showed the normal seasonal effects of factory vacations and automotive model changeovers, they were far above any previous third quarter in the company's history.

The demand for glass from the building industry, and for use in furniture and mirror trades, as well as from the automotive industry, continued exceptionally strong. The outlook for the final quarter of 1955 is very good.

Federal income tax provisions for the 9 months of 1955 totaled $35,048,000, as compared with $21,739,000 for the same period in the preceding year.

Libbey-Owens-Ford, in addition to expenditures of $87,749,744 in expansion and improvements from the end of World War II through 1954, is now engaged in its largest plate glass expansion, with some of the new glass-making facilities scheduled to be in operation by early 1956.

The work includes 2 new 1100-ton tank furnaces, additional grinding and polishing capacity, new bending and laminating equipment under construction in Toledo. An additional large grinding and polishing unit is now being built at the Ottawa, Ill. plant.

In all, expenditures in 1955 and the first half of '56 for the company's expansion program will total more than $50,000,000.

The company's business is broadly diversified in many types of flat and specialty glass and therefore does not depend completely on the automobile industry for its sales, although its results do fluctuate along with auto production. While auto sales may be somewhat smaller in 1956 and this will have some effect on the company's operations, greater growth over the longer period should continue satisfactory.

Dividends in 1955 totaled $3.15 a share against $2.85 paid in 1954.

Stewart Warner

"I am enclosing $20 for renewal subscription to your valued Magazine and would appreciate receiving late earning data on Stewart Warner Corp. and please include comment on earnings outlook." H. D., Shaker Heights, Ohio

Stewart Warner makes a broad line of automotive, industrial products and some TV sets, but principal item remains Alemite lubricating equipment used by virtually all makes and by general industry.

For the nine months ended September 30, 1955, consolidated net sales of Stewart Warner were 19% higher than those for the same period in 1954, and net profits were equal to $3.01 per share (on 1,441,964 shares) as compared to $1.36 per share (on 1,343,620 shares) during the first nine months of 1954. These earnings for the first three calendar quarters of 1955 are after the deduction of $450,000 (31¢ per share) in tax-paid reserves against future costs for new product developments and possible year-end adjustments. No similar reserves were provided for the comparable 1954 period.

Net profits for the three months ended September 30, 1955 equaled $1.06 per share on the 1,441,964 shares of capital stock then outstanding, as compared to earnings of 23¢ per share for the third quarter of 1954 on 1,343,620 shares. Third quarter sales in 1955 were 40% greater than those of the same period in the previous year.

Earnings for 1954 were "after giving effect to the 5% stock dividend paid to shareholders on September 10th and to the stock issued on July 29th in connection

(*Please turn to page* 540)

Camera-Optical Industry in New Growth

(*Continued from page* 506)

totaled $10,388,000.

Bell & Howell has paid some dividend in each year since 1915. For the past several years, stockholders have received $1 annually. Last year, a 10% stock dividend also was declared.

Bausch & Lomb Optical Co. was organized more than a century ago in Rochester, N. Y., as a small optical business. It now is a leading producer of optical glass, lenses and instruments, spectacles and frames, microscopes, scientific instruments and ophthalmic devices. In addition to its main plant there, the company has affiliates in Canada, Britain, Sweden, Brazil and Argentina. It maintains prescription eyeglass laboratories in 155 cities of the United States.

The company has worked closely with the motion-picture industry in developing camera and projector lenses. It made a major contribution to development of the CinemaScope process of filming pictures. Bausch & Lomb always has had a considerable volume of Government business, on which the profit margin is relatively low. Defense business in 1954 totaled about 13% of over-all sales and last year was somewhat below that figure. Because of mounting foreign competition in optical products, the company has stepped up research and engineering activities, and is pushing several new items. In the realm of scientific instruments, it has developed a process for low-cost production of accurate diffraction gratings. A grating is a metal-coated piece of glass on which thousands of tiny grooves per inch have been ruled. It is used somewhat like a prism, to break up light into its components. A vital Bausch & Lomb asset is its large number of long-time skilled personnel, many associated with the company as long as 50 years.

For the 39 weeks ended September 25, 1955, sales topped $37 million—little changed from the 1954 period. Net profit, however, rose to $1,371,690, compared with $1,289,574 in the year-earlier period. This improvement reflected a vigorous program of cost-cutting. In 1955, the company disbursed 15 cents at quarterly intervals, plus 15 cents extra in January. This month a dividend of 25 cents was paid.

Polaroid Corp. is engaged primarily in the research, development and manufacture of products in the photographic and light polarization fields. Its outstanding achievement to date is the Polaroid Land Camera, which takes and prints a picture within a minute by means of a self-contained roll of printing paper. There are three models, ranging as low in price as $69.95. The company expects eventually to produce picture-in-a-minute cameras over a full range of prices, serving amateur and professional photographers. A popular-priced camera utilizing the Polaroid technique should enable it to capture a far larger share of the market.

Providing a strong undertone to Polaroid's growth is the film business. Only Polaroid film can be used in the Land Camera. Another milestone in Polaroid's history was marked recently by the introduction of new film which will produce pictures of superior quality. Incidentally, each sale of a Polaroid camera creates a Polaroid franchise for the future sale of film and accessories. It is claimed that the owner of a Polaroid uses three times as much film on the average as the owner of a conventional camera.

Other Polaroid products include lightweight plastic polarizing sun glasses, 3-D lenses for viewing motion pictures, curved glass lenses for sun glasses, polarizing filters, plastic optical lenses, the photocopy process (cited in the foregoing), Polacolor, a three-color-printing process for action pictures; ultraviolet color-translating microscope used in medical research, and television filters.

Polaroid pays 12½ cents on the common at quarterly intervals. A 5% stock dividend also was declared, with the 50-cent annual rate maintained. In view of cash requirements of this expanding business, it is expected that this conservative rate will be maintained for a long time to come, perhaps supplemented by more stock dividends. Polaroid earned an estimated $3 a common share in 1955, best showing in its history. Obviously, investors who buy this stock are not primarily interested in cash dividends, for this company plans to retain the bulk of earnings here for reinvestment in the future of the business. The stock, therefore, is classed as a speculation on the future. —END

What to do about 1955's Dividend Casualties

(*Continued from page* 508)

St. Louis-San Francisco Railway Co., a major carrier, serving the South and Southwest is operating in two of the fastest growing sections of the country. Location of new industries and increasing population in its area, along with acquisition of the Alabama, Tennessee & Northern Railroad, has brought about a substantial gain in operating revenues while material improvement in operating efficiency has aided in expanding net railway operating revenue from $24.6 million for 1948 to more than $37 million in 1952 and again in 1953. Net earnings in these two years for the common stock amounted to $6.37 and $5.02 a share respectively, but in 1954, reflecting the decline in the general economy but more particularly because of the heavy traffic in grain and feed moving into drought-stricken areas at 50% emergency rates, an unprofitable business that also helped to increase the operating ratio from 73.6% for 1953 to 79.1%. Operating results for 1955 present an entirely different picture. For the 11 months to November 30, gross revenues increased to $122.2 million, up by almost $8 million over the like 1954 period, and net operating income of $14.1 million was equal, after preferred dividends, to $3.84 a share as compared with last year's net of $10.7 million or $1.83 a share.

On the basis of all 1955 earnings, estimated at $4.15 a share for the common stock, and the favorable outlook for early 1956, restoration of dividends to at least $2 a share from current annual rate of $1.50 may be a near-term possibility. Another interesting

(*Please turn to page* 526)

What to do about 1955's Dividend Casualties

(*Continued from page* 524)

development is Frisco's steady acquisition of the preferred and common stocks of the Central of Georgia Railway with which it connects at Birmingham, Ala., and provides a direct route from that point to the east coast port of Savannah, Ga. The Frisco, last December, petitioned the ICC for authority to acquire stock control of this affiliate, stating that while no consolidation or merger was planned, the association would prove of benefit to both roads.

An added fillip to the long-term market possibilities of Frisco's common stock is provided by the road's 50% interest in the New Mexico & Arizona Land Co., whose properties comprise more than 1.3 million acres in the two states. Although there have been no oil or mineral developments to date on these lands, it is believed that portions of the total acreage have mineral potentials, this being substantiated by Tide Water Associated Oil Co., negotiating last June a leasing agreement covering 250,000 acres for exploration. At present price of 31, Frisco common on the basis of current dividend, yields 4.8%. The stock is worth retaining.

Spencer Kellogg & Sons, Inc., a leading processor and distributor of linseed, tung, soybean and other oils, experienced a fall in net income for the fiscal year ended last August 27, to $326,149 from the previous year's $2.6 million. This latter sum was equal to $2.15 a share as compared with 27 cents for fiscal 1955. While sales declined by 14.6% and totaled $90.3 million against $105 million in the preceding 12 months, the precipitous drop in net earnings is attributed to "an anomalous situation in soybeans", meaning high prices for the end products, soybean oil and meal. This situation existed despite the fact that although there had been a heavy production of soybeans, the reluctance of growers to bring them to market resulted in an artificially high price while the existence of an abundant supply depressed prices for the end products. Scarcity of supply at times caused a reduction of plant operations or a complete shutdown for short periods with the final result for fiscal 1955 ended last August 27, being a decline in net profit to $326,149, or 27 cents a share, from fiscal 1954 net of $2.6 million, equal to $2.15 a share. The outlook for fiscal 1956 is more promising based on U. S. Department of Agriculture forecast of a soybean crop 9% higher than last year, and a 3.5% increase in flaxseed production. Another encouraging factor is the expected better European market for soybean and flaxseed products. Some improvement has already been shown by Spencer in the 12 weeks ended last November 19, with net income increasing to $390,405, or 32 cents a share from $351,607, or 29 cents a share, in the corresponding period a year ago.

The company entered the new year with strong finances, current assets, including $5.6 million in cash, of $24.7 million being 5.3 times current liabilities of $4.5 million. Quarterly dividends at the reduced rate of 20 cents a share should continue. Although there does not appear to be any immediate possibility of a broad improvement in the market price of the stock the shares appear to be worth retaining over the long-term. —END.

Bank Stocks as Investments Today

(*Continued from page* 514)

both branch systems by opening new units from time to time. The bank serves a widely diversified group of customers, large and small, in the United States and abroad. Earnings for last year amounted to $4.25 per share, against $3.38 the year before, and cover with a considerable margin the dividend which was raised last fall to a $2.60 annual rate. On the present market price the yield is about 4 per cent.

Philadelphia National Bank is, as noted earlier, a newcomer to the "billion dollar club" in the past year, but has long been a favorite among conservative investors. A number of mergers by which small banks were acquired during recent years reflect its more aggressive management policy. Another favorable factor is the rapid industrial growth that has been taking place in the Philadelphia-Camden area, where many of the country's leading companies have been expanding their facilities already established there or else moving in to build new plants. These developments should help to increase the bank's earnings in the future and permit some increase in the $5.00 annual dividend. At the present price of this stock, like the other two already mentioned as being particularly attractive, the current yield is around 4 per cent.—END

What to do About Low-Yield Stocks

(*Continued from page* 503)

the sale of such securities in order to avoid the risk of substantial market fluctuations is seldom made by such investors.

On the other hand, investors of average means may have a different program, in which the full or partial acceptance of profits is an essential part, particularly when the stocks in question have risen to a point affording a small yield on the current price and which they believe they can substitute to advantage by re-investing in other issues offering a better yield.

As to Rating T which is designed for investors desiring to limit themselves only to the best grade, though low-yielding stocks (a disadvantage they are willing to incur in favor of long-term apreciation potentials), we have indicated the individual stocks which we believe may be so rated. However, it should be understood that each of these issues has had a substantial rise in recent years and that the possibilities of a reaction are by no means nonexistent. If the investor feels he should not wait, despite this hazard, he may utilize the "dollar-averaging" method which, by the more or less systematic employment of funds in the same issue or issues, would materially offer protection.

Price-Earnings Ratio

As to the market position of low-yield stocks which are in the

(*Please turn to page* 528)

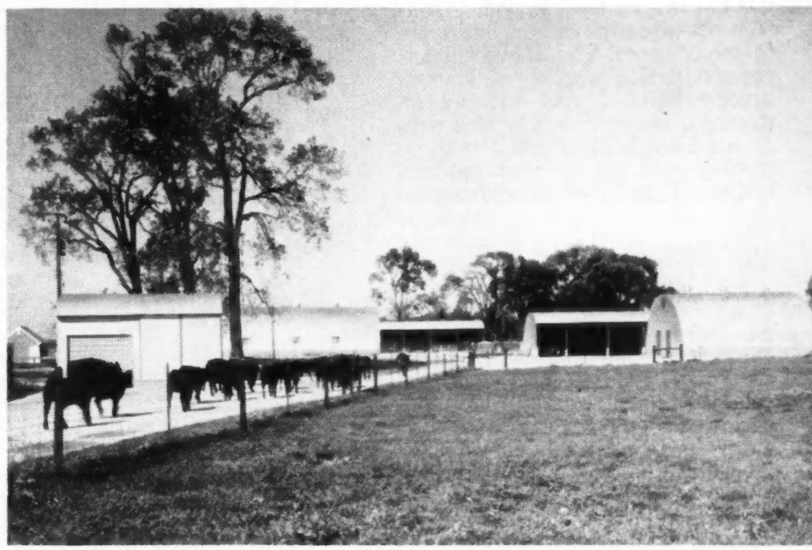
"In Just 45 Days, Steel Changed My Whole Approach to Farming"

An Ohio farmer tells a true story of losing five buildings in a fire. And what happened when he replaced them with steel Quonsets...

O. W. "Bud" Bridgman

"My tenant phoned me at 10 a.m. that Sunday and exploded: 'The barn's on FIRE!' "When you're a farmer, you fear those words more than almost anything. They really shake you up."

Before volunteer firemen could come six miles from Plain City, Ohio, five buildings on the 360-acre farm of O. W. "Bud" Bridgman were a blazing inferno.



What Bridgman did

About four days after the fire, Bridgman called the local Quonset dealer, Paul V. Reed, in nearby London, Ohio.

Says Bridgman today:

"I'd read about steel Quonsets and was convinced they could get me back in business quickly."

He was right. In just 45 days five new steel Quonset buildings—made by Stran-Steel Corporation—were erected *and in use.*

"And I can tell you now, there are many more advantages to my steel Quonsets," Bridgman says.

How steel works for him

"There just isn't anything you can say against them. For one thing, I've got no more worries about fire. These steel Quonsets are really versatile, too. Do many jobs. They just about eliminate maintenance. Protect my crops. And do they save time and labor!"

Bridgman's steel Quonsets include a hay storage and self-feeding building, a beef cattle shelter, a combination ear corn and small grain drying and storage building, a machine storage building, and a garage and machinery repair and service center.

Quonsets are profit-makers

Bridgman says his hay storage and self-feeding Quonset, equipped with a movable manger, reduces labor. "When cattle are comfortable, and have hay before them all the time, they eat more. And that means more dollars when you take them to market.

"And with post-free construction it's easy to put up the hay, or to use the building for any number of farm jobs." Bridgman says that with his grain-drying and storage Quonset he can harvest earlier and reduce the risk of bad weather. "With facilities to dry crops, we can store them—and control their moisture content perfectly—until the market is right for selling."

Reduce costs, too

With his Quonset machine storage shed, this steel-minded farmer finds equipment deterioration is reduced to a minimum. And his Quonset garage and workshop provides comfortable space for farm repair jobs (and an automobile and truck, too).

"I guess you'd sum it up this way," Bridgman says. "These steel Quonset buildings work for and work with a farmer. Their original cost was less than I expected, and what we gain in ease of operation and less labor makes a real savings."

National's role

Pioneered by Stran-Steel—a member of the family of National Steel Corporation—steel Quonset buildings are winning wide acceptance as an important "working tool" on the farm.

Stran-Steel buildings of varied types also are finding many new applications in industry and commerce.

Their strength, of course, is *steel*—America's great bargain metal. At National Steel it is our constant goal, through research and cooperation with our customers, to make better steels for the better products of America's industries.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Stran-Steel Corporation • Hanna Iron Ore Company • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

NATIONAL STEEL CORPORATION

GRANT BUILDING PITTSBURGH, PA.

What to do About Low-Yield Stocks

(*Continued from page* 526)

good to high-quality category, the general statement can be made that according to their price-earnings ratio (please see first column in table) market valuation is already rather excessive in many cases. The degree of excess valuation varies, of course, among these issues but, as an average, over-pricing is at a substantial level. Thus, we find these stocks, with a few exceptions, selling at an average of from 25 to 40 times earnings. This is symptomatic of an excessively high price level.

For investors who may desire to accept profits, in full or part, and who may desire to replace these issues with higher-yielding stocks of good quality we have selected five that, in our opinion, are in a sound position and offer exceptionally high yields, for stocks of this quality, at this time. We append a brief comment on each of the five of these stocks.

American Tel. & Tel. A.T.&T., at current prices, yields a flat 5% but, "rights" to subscribe to new stock, through the vehicle of convertible bonds and which have been issued yearly over some years, should also be considered part of direct or indirect return. The company has been analyzed many times in these pages and most readers are familiar with the broad outlines of its progress during the years. Of current interest is the increase in per share earnings despite dilution caused by the addition of new stock yearly to the outstanding issue. Officials have denied that the stock would be split but the rumors persist. In any case, the stock is an excellent holding both for income and long-term appreciation; and would make a suitable replacement for any of the issues marked (P) in the table.

American Tobacco. This old-line investment issue is coming back into its own after several years of reaction in the stock market which it shared with other tobacco issues as a result of the so-called "cancer" scare. Now that the effects of the adverse publicity have worn off and sales have rebounded, the investment stature of tobacco stocks has improved substantially. As a result of the increase in the company's earnings, it is likely that the $4.40 dividend will be increased. In any case, the stock offers a yield of 5.4% at current prices which is above average for issues of this calibre.

Curtiss-Wright "A". The greatly improved position of this company in recent years has placed the "A" stock in a stronger position. Dividends are being covered fifteen times over. This would seem to place the $2 dividend on a firm basis. The current yield is 5.9%.

Duquesne Light Co. This stock is now available on a 5.2% basis, which is considerably above that on public utility stocks of similar calibre. Higher yields are due to the slump in the stock owing to the prolonged Westinghouse strike which has hit the Pittsburgh area, which Duquesne serves. Ending of the strike should help to remove any remaining pressure on Duquesne stock. The company has achieved special prominence by building the first atomic power installation for private use. Earnings have shown a steady uptrend in recent years and should resume this trend after current labor troubles at the Westinghouse plant are over. The stock is a worth-while holding and would make a good relatively conservative-type refuge for funds received by accepting profits on the stocks rated (P) in our table.

Norfolk & Western. This road has benefited strongly from the upsurge in the coal mining industry and its earnings for 1955 are estimated at $6.25 per share, a substantial increase over the $4.52 per share in 1954. This improved earnings trend is expected to continue for the first few months of 1956. In the meantime, excellent management, effective control over operations, and substantial outlays for improving the physical plant having been laying a strong foundation for earnings. Including the 75-cent extra, dividends are $3.75 per share, on which the yield is 6.2%.—END.

For Profit and Income

(*Continued from page* 517)

1954, reflecting rising appeal of drive-in movies in the summer season, plus temporary aid from the novelty of wide-screen projection. However, a renewed sag began some months ago, and trade estimates put 1955 attendance around or a little below that of 1954. Foreign movie business is faring relatively well, with TV competition developing more slowly than has been so here. Making special movies for TV is no over-all bonanza. Sale of libraries of old films for TV use, with the ice just beginning to get broken on these deals, amounts mostly to one-shot capital gains. Movie stocks continue to behave poorly, and basis for a reversal of this is not foreseeable.

Unwanted

At this time General Motors has fallen a maximum of about 17% from its 1955 high, Chrysler 18%, American Motors 34% and Studebaker-Packard 35%. While they are unwanted, the Ford Motor offering is expected to be a big success. The eventual "bloodless verdict" on the market on the latter might be less enthusiastic than the initial public reaction. At some point of decline, General Motors will be an attractive investment, Chrysler a good trading buy. The level cannot be judged now, and no hurry is needed. Meanwhile, we would not press further selling, in view of the substantial adjustment already made. We would not, however, buy American Motors or Studebaker-Packard at any price —and, if that view is correct, they ought to be sold.

Splits

Stock splits set a record in 1955, with a total number not far from double that of 1954. No doubt there are more ahead. They cannot be predicted with much assurance because action depends partly on market price, more on the leanings of management. Some managements are not interested in increasing the number of stockholders. So a few stocks have long sold above levels suitable for splits—without being split. At the other extreme, shareholder-con-

scious managements have in some instances split stocks selling under 50. Here are some "candidates" for possible 1956 splits: Babcock & Wilcox, Bethlehem Steel, Brown Shoe, Continental Oil, du Pont, General Foods, International Paper, Kennecott Copper, Penney, Sherwin-Williams, Texas Co., and Zenith Radio. —END

The Distilling Industry

(*Continued from page* 511)

of this issue.

National Distillers Products Corp., through its deal with Distillers Corp.-Seagrams, took another step in carrying out its program of letting go of less profitable properties to permit further expansion in chemicals in which it has grown steadily in the past five years. Its U.S.I. Division has become an important chemical producer — ammonia, nitric acid and nitrogen solutions. Current plans call for erection of a 60,000 ton capacity phosphoric acid plant adjacent to the Tuscola, Ill., chemical plant where a new reforming unit was put into operation last November for the production of hydrogen from natural gas. National's position in chemicals is broadened further by its 60% ownership of National Petro-Chemicals Corp., operating the Tuscola petrochemical plant for the production from natural gas of liquefied petroleum gases, and a new polyethylene plant which when in full production will be capable of turning out about 26 million pounds a year.

Obviously, National Distillers continued and rapid expansion in chemicals is giving it increasing stature in that industry. At the same time the company maintains its position as one of the leaders in the distilling industry, being noted for its straight and bonded whiskies, including some of the best-selling brands such as "Old Crow", "Old Taylor", and "Old Grandad".

In the 9 months to last Sept. 30, net earnings amounted to $10.8 million. This represented a gain of 12% over net earnings of $9.6 million in the like period of the previous year, and after preferred dividends net for the common stock was equal to $1.10 compared with 95 cents a year ago. It is expected that results for the final quarter of 1955 will show an extension of this improvement, but it is not believed that there is a possibility of any immediate increase in the current dividend rate of $1 annually. The common stock, currently priced at 22, yields 4.5%. The potentials of National's growth in the chemical industry give the common stock attraction because of its long-term growth possibilities. —END

President's State of Union Message

(*Continued from page* 485)

dently can. It is essential, in the sound management of the Government's finances, that we be mindful of our enormous national debt and of the obligation we have toward future Americans to reduce that debt whenever we can appropriately do so. Under conditions of high peacetime prosperity, such as now exist, we can never justify going further into debt to give ourselves a tax cut at the expense of our children. So, in the present state of our financial affairs, I earnestly believe that a tax cut can be deemed justifiable only when it will not unbalance the budget, a budget which makes provision for some reduction, even though modest, in our national debt."

The White House saves for a special message its proposals for Social Security Act improvements but promises "further expansion of coverage and other steps which can be wisely taken at this time." The democrats pledge: "A Social Security bill reducing the age limit for women to receive benefit payments, and extending coverage to most self-employed groups."

Ike has repeated his recommendation for Federal reinsurance or other steps to cushion the expenses of illness. Johnson wants a health program, with research, grants for hospitals and other aids not delineated.

Aid for Schools and Highways

Federal aid for schools is a mutual objective. The President speaks out for a method to ease the classroom deficit and will propose a five-year program in a special message.

The urgency of a national highway bill is stressed by President Eisenhower but he indicates no disposition to retreat from the bond-financing method by which states would pay off the costs over a period of years. Johnson sees the objective as a demanding and essential one, but he prefers the Gore Bill approach: start the program and then work out the revenue scheme—obviously a shifting-to-Washington.

On the subject of conservation, Ike asks immediate action on the Colorado River Storage Project and on the Frying Pan-Arkansas Project. Senator Johnson went along on these and added: higher dam at Hells Canyon, Niagara development, Washita-Oklahoma Project, Ventura, Cal., project, Passamaquoddy tidal survey, and New England development project. The lists will be made even more alike if Congress indorses the President's proposal for legislation to permit Federal participation in small projects under primary sponsorship of states and cities, and goes along on his classifications of federal-state programs.

The democratic leader calls flatly for "disaster insurance to protect our people from the ravages of nature." The President does likewise, but asks that disaster assistance legislation first be overhauled to wipe out inequities in state contributions. A special message is promised.

Federal aid for economically depressed areas is on the agenda of both parties. Each concedes the need for thorough preliminary study preceding a program of Federal participation.

The President asks cooperative effort to maintain a modern effective military force in manpower and material, and a continuing effort to make new friends and hold old ones diplomatically, with attendant aids to friendly countries. These were not touched upon by Johnson but are declared democratic party objectives, with reservations as to methods. It seems clear that the democrats will place themselves on public record as favoring a bi-partisan foreign policy, and attack Secretary Dulles' administration of it.

Again, only methods separate the two parties on aid to small

(*Please turn to page* 532)

President's State of Union Message

(*Continued from page* 530)

business, sharing of government contracts, improve lot for veterans and their families, public quotas, improved international housing, liberalized immigration trade.

Bracketed into a paragraph with numerous other propositions of a general nature is one which may build a legislative highpoint this year:

"The Administration will shortly propose legislation to assure adequate disclosure of the financial affairs of each employee pension and welfare plan and to afford substantial protection to their beneficiaries." END.

Low Labor-Cost Companies

(*Continued from page* 495)

to handle, process and test the engines as they pass along. Other producers have indicated that they plan to follow suit by equipping their own installations in a similar manner.

Progress in this direction has been much more rapid in activities which specialize in processing of materials that flow along production lines such as in the case of chemicals, drugs and petroleum. Metered readings are taken constantly during the time of manufacturing and corrective information is fed back when readings diverge from pre-set tolerances indicating that inaccuracies are occurring.

In intermittent manufacturing activities like machining and assembly of manufactured parts, automatic quality checking becomes more difficult, complicating the problem of developing equipment that would handle the product and simultaneously correct deviations from desired quality specifications as they happen.

Factor of "Automation"

Of course, the word "automation" is a rather recent invention to describe a revolution which has been under way for many years under different names. Thus, improvements in efficiency by combining several manufacturing operations into one, the duty of materials handling and improved quality checking all fall under the general heading of automation.

General Motors Corp., for example, has been able to fight rising wage costs by increasing productivity sharply since the end of World War II. In the period between 1947 and 1954, the company's hourly rated employes had their base pay increased from $1.50 an hour to $2.27 hourly. Weekly wages jumped from $60 in 1947 to more than $91 in 1954. A larger number of employes swelled the auto giant's total payroll to $2,610 million in 1954 from $1,200 million in 1947, a gain of 2.2 times. But, higher prices and more deliveries helped the company increase its sales 2.6 times during the corresponding period with the 1954 sales totaling $9,824 million in contrast to the $3,815 million at the start of the eight year period.

Payrolls in 1954 accounted for 28 per cent of the sales that year. With the big jump in sales in 1955, it is probable that the company was able to improve considerably on that showing.

The cost impact of rising wages has been an important burden, West Virginia Pulp and Paper Co. reports. But continued heavy expenditures for plant improvements over the past ten years have tended to minimize part of this cost burden by providing significantly higher levels of output, while man-hours worked have remained relatively constant.

Even so, labor charges bear heavily against West Virginia Pulp and Paper, amounting to about 30 per cent compared to about 23 per cent for International Paper and 21 per cent for Container Corp.

Among the aircraft companies, Boeing and Grumman maintain relatively low labor costs, with Boeing averaging about 30 per cent and Grumman 27 per cent against 37 per cent for Douglas.

U. S. Steel and Bethlehem rank among those steel companies with relatively heavy payroll burdens. For U. S. Steel, the wage cost amounts to about 40 per cent of sales while the Bethlehem take is 37 per cent. National Steel enjoys a conservative 25 per cent while Armco and Youngstown Sheet each use about 28 per cent of revenues to pay for labor.

Volume of output has an important bearing on the relative burden of wage costs in almost every case. During periods of rising activity, it is almost impossible for an able management to keep overhead under control as men and machine are used to the best of their ability. The real test, though, comes when sales dip pulling down the rate of output while efficiency drags. When this happens, the best producers in each group will be in the most advantageous position to step out ahead of competitors. The marginal companies whose costs are relatively high and inflexible find that they are unable to make a profit at the slower pace of activity and at lower prices while the more efficient ones can adjust their operations to minimize the impact of competition.

Producers with low labor costs will certainly have an advantageous position during any periods of recession or adjustment when sellers are scrambling for the reduced volume of available orders.

—END

1956 Prospects for Leading Industries

(*Continued from page* 492)

small gain, or perhaps no gain at all in 1956, owing to special conditions (a lower level of housing starts, and some decline in the movement of general merchandise in the last half of the year). For the industry in general, however, the year should set new earnings records at an imposing level.

PETROLEUM — In 1955, the petroleum industry enjoyed an increase in aggregate demand (both domestic and foreign) of over 7%, slightly better than the historical rate of increase. Prices and margins improved, and earnings were at very satisfactory levels. Year-end stocks are quite moderate, and are being held in line by heavy fuel demands owing to unseasonably low temperatures. For the year, refinery operations have averaged about 92% of capacity, a sharp improvement over 1954, but still lower than 1951 and 1952. Runs to stills have averaged about 225 million barrels monthly, an in-

(*Please turn to page* 534)

1956 Prospects for Leading Industries

(*Continued from page* 532)

crease of about 15 million barrels over 1954, and easily the highest on record.

For 1956 a further gain in total petroleum demand, and in the total revenues of producing and marketing companies, is expected, although the gain may not be in the 7% range achieved in 1955. Domestic gasoline consumption in 1956 should benefit very markedly from the sharp increase in the number of cars on American roads resulting from the 7.4 million new car sales of 1955. (In 1955, domestic gasoline consumption averaged about 110 million barrels per month, or roughly 35% more than in 1950.) Fuel oil demand (both distillate and residual), after showing little gain in the first half of 1955, advanced sharply in the last half. Lubricant demand ran moderately ahead of 1954 throughout the year.

In 1956, further moderate increases are expected in automotive, home and industrial fuels, and in lubricants. Prices, which firmed during 1955, are expected to rise further in 1956, partly because of expected strength in the price of crude itself.

Despite increasing development and exploration costs, and heavy anticipated capital outlays, amounting to close to $5 billion annually, the industry's cash position in 1956 should be exceptionally well maintained, and dividend policy is likely to be liberal.

MERCHANDISING — Retailers are confronted with the formidable task of improving on the best year in their history. A major problem in their drive to top the record showing of 1955 is keeping expenses down so that improvement in sales volume is translated into higher net profits. In good years and bad, the trade often finds that an inability to curtail direct and indirect expenses impairs profit showing. In 1955, retailers made encouraging progress in trimming expenses. Operating expenses for the typical store were 0.2% lower than in the preceding year in relation to sales. If this cut appears minute, its real significance can be measured by the fact that reductions in expenses were the biggest factor in making profits 27% higher in the first nine months of last year, compared with the 1954 period.

The trend to higher wages, of course, poses a threat to cost-cutting. Stores were able to reduce payroll expense last year largely through greater use of self-service techniques.

On another front, the problem promises to be of longer-range duration. This is the severe competition from the price-cutters, or discount houses, as they are known to the public. Although the idea of Fair-Trade merchandising dies hard, more and more stores have been fighting fire with fire. There is a growing trend on the part of old-line retailers to cut their own prices of "branded" goods with no strong objection from manufacturers.

The year ahead also should see unprecedented growth for branch stores. More and more, consumers prefer to shop in outlying areas that provide ample parking space for cars. While in past years the mere establishment of suburban branches was considered sufficient, the need for even larger branches now has become evident.

On the basis of current business, which has pared retail inventories sharply, buying should be substantial for the spring season. Almost full employment and high consumer income are factors that should encourage retailers. However, retailers are not inclined to deviate from a policy of frequent re-ordering and quick turnover, which carries a minimum of risk. Such practices have worked well in a boom period and, although it may appear shortsighted in the sense that merchants are not taking full advantage of opportunities, it is not likely that this cautiousness will be abandoned.

From the above analysis of the position and outlook for 19 of the major industries, it should be evident that, so far as the earlier period of the year is concerned, practically all industries, with the exception of automobiles, principally, and housing, to a lesser extent, will maintain the same level of large volume of production and sales witnessed toward the close of 1955. While, it would be difficult to forecast too far into the future, evidence is accumulating that the forward trend of business should taper off, possibly some time during the second quarter. Third quarter prospects are too dim to visualize at this point but if a downward trend is established in the second quarter, it is obvious that such a trend would be carried into the following period.—END

Men of Faith and Genius

(*Continued from page* 489)

chairman. He served in this capacity for the next five years, retiring in 1953 to a less active role as chairman of the executive committee. Last April, Mr. Drake withdrew entirely from active service as an officer, but continues to serve as a member of the board.

A measure of his value to Gulf may be gleaned from the fact that in his 22-year tenure of office as president and chairman, total assets rose from $481 million to over $1.6 billion, while net worth rose from $340 million to nearly $1.1 billion. Meanwhile, working capital more than tripled. It was during this time, too, that Gulf became one of the major international oil companies. Although Gulf had interests in Mexico and Venezuela prior to 1931, it now has world-wide operations in exploration and production, as well as in marketing.

Throughout the steady rise in his personal fortunes, Mr. Drake never has been too busy to put aside individual duties to serve the nation. During World War II, he was a member of the Petroleum Industry War Council and, since the end of the war, until last September, served as a member of the National Petroleum Council. There are other services to the community too numerous to cite.

Donald Wills Douglas—Brooklyn-born Donald Douglas can move fast—starting in the aircraft business with assets of $600 and going on to establish Douglas Aircraft Co. as leader of a vast industry. He also can move slowly—to his advantage and that of this nation, as his timing in the production of com-

(*Please turn to page* 536)

Men of Faith and Genius

(*Continued from page* 534)

mercial jet planes attests all too well.

It is a fact, often forgotten, that the British were permitted to take the lead in this field and, typically un-British, they moved before they were ready, with calamitous results. Not until last year, when he was persuaded that his company was ready, did Mr. Douglas move into the commercial jet field. And when he moved, it was on a big scale, assuring this country of a position as the foremost power in commercial jet aviation. The wartime contributions of his giant company are too familiar to need recounting, especially in the field of transports. If you traveled by air during the war, in any theatre, it is likely that you rode a Douglas job, since the company produced about a sixth of the total weight of planes made in this country during World War II. A few years hence you may be making a six-hour hop to Europe in a safe jet plane built by a company whose president and chairman has the vision, enterprise and courage, along with the patience, that typify American business leadership at its best.

About the Douglas leadership, there is no doubt. Of the approximately 5,000 aircraft of all makes and of all manufacturers and all nations operating in scheduled service, about one-half belong to the Douglas winged family. While his company has bulked large in a generation that has known only war, hot and cold, Donald Douglas believes the airplane will attain even greater stature when, in the words of Tennyson, "the war drums throb no longer and the battle flags are furled." He regards the airplane as a device to bring closer to each other all nations and races and to place any city or village on earth within a few hours' journey from any other.

***Morse Grant Dial*—**While Mr. Dial presides over the second largest chemical company in the land, decisions at Union Carbide and Carbon Corp. are always unanimous. His reasoning: "When you have more new things than you have money, you don't do anything unless the reasons are overpowering and you all agree." This, of course, is the committee system, highly suited to technology enterprise, whose growth is maintained by research that embraces practically all known sciences.

The men who pace the hundreds of manufacturing operations and subdivisions of Union Carbide are granted wide autonomy. But the man responsible for activating the brain of this organism is so mixed up in group cogitation of what will happen in the future that it is difficult to define precisely what he is doing today. The job of Mr. Dial is not to innovate but to mesh group effort. It is a post that requires great vision, entailing investment of large sums in products that will pay off in the next generation of executives.

Although he holds a degree in mechanical engineering and spent a decade of his business life outside the chemical field (most of the time with International Shoe Co., where he rose to sales manager), Mr. Dial swiftly learned that the chemists' rule of thumb for simple projects is 10 years between test tube and tank car. He joined Union Carbide in 1929 as sales supervisor for the marketing of Pyrofax gas. He became manager of the Vinylite division in 1934, when the company was beginning to assume a large role in plastics production. It took Vinylite 12 years to hit a market.

Whatever Union Carbide is, it is not a one-man operation. Mr. Dial believes that far more important than any ideas the president may have is the overriding necessity to bring together the ideas of his fellow-managers. He feels it would be "very hard" to identify the accomplishments of Union Carbide with any individual. Mr. Dial, in the tradition of Union Carbide presidents, is self-effacing. Group effort is so important that executives refer to the company as "the community." This man who, in the final analysis, is responsible for the creation of prices, products and markets, believes: "Good judgment comes down to confidence in men and what they can do."

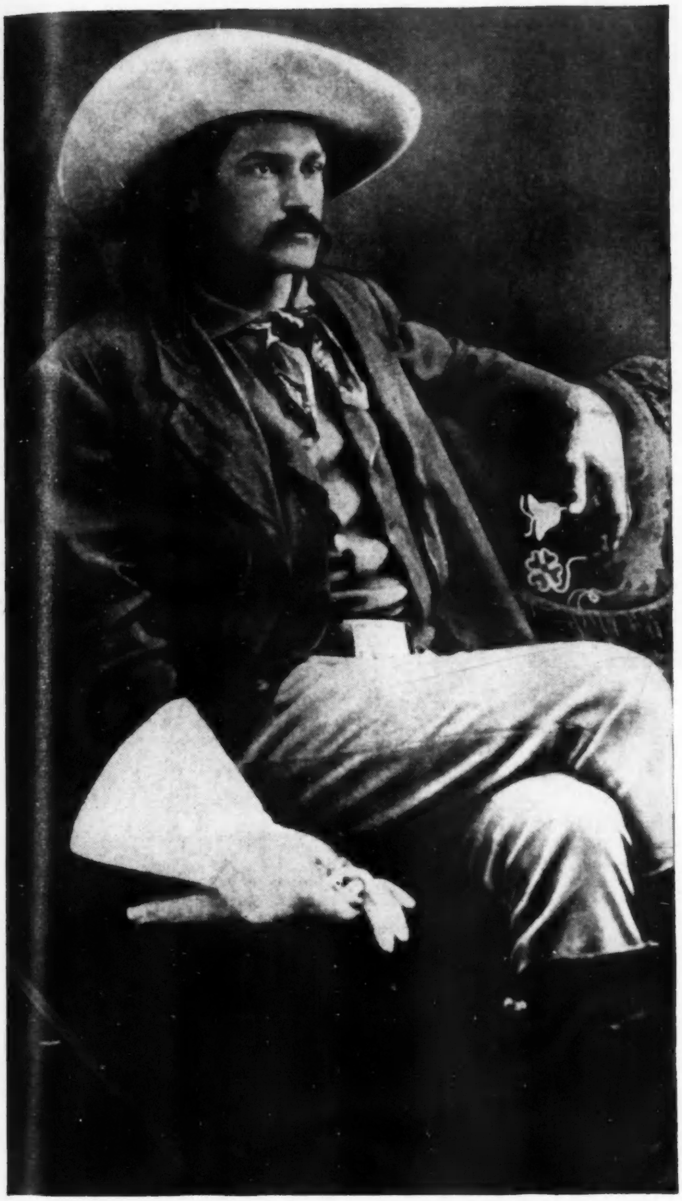
***Eugene G. Grace*—**Only the late Charles M. Schwab, founder of Bethlehem Steel Corp., ranks with Mr. Grace as a vital influence in the development of that company to the No. 2 position among steel producers. Mr. Grace, like Mr. Schwab, is one of the last great individualistic executive types, who abounded in the 19th Century. He has served as president or chairman of the board of Bethlehem for 43 of his 57 years with Bethlehem and its predecessor company. Although now approaching 80 years of age, Mr. Grace, as chairman, still exerts a powerful influence over the affairs of the company.

In the Bethlehem tradition of always having a highly trained understudy for each important post, Arthur B. Homer, 20 years younger than Mr. Grace, has served as president since 1946. The industry and investment community used to wonder what would happen to Bethlehem when the strong hand of Mr. Schwab was no longer at the helm. They now wonder in many places what will happen when Mr. Grace is no longer present. This is not surprising, since only two top men have directed its destinies from the beginning. But they tend to overlook the Grace policy of promotion from within, which has resulted in less turnover of executive talent than almost any company of comparable size. A director of Bethlehem, as another example, is not a director of any other corporation. Mr. Grace has brought to the board only those men who are officers of the company and who give their full time to Bethlehem. Nearly all live in Bethlehem, lunch together and constitute a closely-knit society. Mr. Grace takes pride in "the biggest little business in America."

His tenacity in striving for an objective is legendary. As far back as 1930 the courts enjoined a merger between Youngstown Sheet & Tube Co. and Bethlehem. Mr. Grace is still fighting to merge the two companies, although few realize how long Mr. Grace has sought to combine the pair. Youngstown has always had two obvious lures for Mr. Grace —its Chicago plant and its ore-coal reserves.

Even without Youngstown, Mr. Grace has managed to advance the fortunes of Bethlehem spectacularly. The company has registered a particularly impressive

(*Please turn to page* 538)



His calling card had claws on it

LUTHER KELLY lied about his age and got into the army at 15. They sent him West in 1865, and he stayed.

He liked the wilderness. Game abounded. In Trappers' Lake, "trout were so thick they obscured the bottom."

Hostile Indians were also pretty thick. But when two tried ambushing him, he killed both with his Henry .44.

He learned Sioux and sign language.

One day, he visited General Miles, sending a huge fierce-clawed bear's paw to Miles as his calling card. Miles made him chief scout against the Sioux.

But by 1885, the country was taming down, and Yellowstone Kelly left it.

Two decades later, Teddy Roosevelt praised the heroic treasurer of Surigao in the Philippines who saved the town from outlaws. Name: Luther S. Kelly.

Yellowstone Kelly's body now rests at Kelly Mountain in Montana. But his restless, pioneering spirit lives on in the heart of today's America. For it is the trail-blazing courage of 165 million people that makes America great, and that provides the real strength behind one of the world's finest investments: our country's Savings Bonds.

Why not guard your security with this strength? Invest in U.S. Series E Savings Bonds. And hold on to them!

It's actually easy to save money—when you buy Series E Savings Bonds through the automatic Payroll Savings Plan where you work! You just sign an application at your pay office; after that your saving is done *for* you. The Bonds you receive will pay you interest at the rate of 3% per year, compounded semiannually, when held to maturity. And *after* maturity they go on earning 10 years *more*. Join the Plan today. Or invest in Savings Bonds regularly where you bank.

Safe as America—U.S. Savings Bonds

Men of Faith and Genius

(*Continued from page* 536)

gain in earning power in the postwar decade. Operating profit margins have been among the best in the industry. The empire that Grace carried to new heights has an annual ingot capacity of some 20 million tons—larger than many European countries and about equal to England's total capacity.

I. W. Wilson—In the book of vital statistics he is listed as Irving White Wilson. In his own and other fields he is known as Mr. Aluminum. With the exception of World War I years during which he achieved the rank of major in the Army's chemical warfare branch, his entire life has been associated with the aluminum industry to which he has contributed in boundless measure to its growth and development. His ascent to the top job in Alcoa, while not meteoric, was a steady upward movement from the time he entered the company's employ following graduation from Massachusetts Institute of Technology, where he majored in electrochemistry. Within 11 years he had become vice president in charge of operations and the youngest officer in the company.

As president of Alcoa since 1951, I. W. Wilson would disclaim full credit for Alcoa's great growth in production capacity and earning power under a major expansion program, started in 1951, and involving to the end of 1954, capital expenditures of about $360 million. He will insist that those around him share in the credit. One of his great attributes is his regard for the dignity of the individual and the value of morale which he believes has contributed immeasurably to the fortunes of Alcoa. To quote Mr. Wilson: "An industrial corporation has character, just like an individual. I like to think Alcoa's first quality is integrity and the willingness to consider the other man's point of view. Our people have been brought up in a school of very real interest in their work. They have an urge beyond the willingness to put forth their best efforts toward the company's objectives."

As for Mr. Aluminum, himself, he carries this spirit to his work for the nation and the various communities in which Alcoa is directly interested. He is a member of the Visiting Committee of the Department of Naval Architecture and Marine Engineering, and the Department of Metallurgy. In Pittsburgh, he is a member of the Advisory Council of the Allegheny Conference on Community Development, the Citizen's Committee of educational television station WQED, advisory committee of the Pennsylvania Industrial and Construction Exposion, the Community Chest of Allegheny County, and the Board of Managers of the Children's Hospital of Pittsburgh.

Eugene Holman — Although Texas-born, Eugene Holman stumbled onto his calling by the merest chance. The chairman of the board and chief executive officer of Standard Oil Co. (New Jersey) decided to study geology because it would give him the required credits for a master's degree in science. His ambition was to be a civil engineer. Convinced by a professor that there was greater opportunity in geology, the one-time odd-jobs boy of the livery stable and feed store went on to seek—and sometimes discover—oil in Texas, Mexico, Cuba and the West Indies.

Gene Holman, as he is known to his associates, served as an aerial photographer in World War I, returned to geology and, finally, became an executive in the world's largest oil company. It might be more accurate to say that he heads an empire, considering the world-wide ramifications of Standard of Jersey. He is unusually fitted for such a task, being a forthright campaigner for world cooperation, industrial peace and a minimum of governmental control of business. Moreover, Mr. Holman is recognized by business and labor alike as a progressive, international-minded individual. He could point with pride to his company's record — no major strikes since 1915. He feels deeply that labor and management must settle their own differences without running to the government. The Holman philosophy may be summed up in the four challenges, he feels, Americans must face if democracy is to survive:

"The first is a moral and spiritual challenge. We must re-establish the belief that honesty and integrity are ends in themselves. The second is to raise the standard of living throughout the world. This is the challenge of production. The third is the challenge to individual responsibility. The fourth is the challenge to achieve world cooperation. We must find it. The only alternative is mass destruction."

One way of measuring a corporation is by its money-making ability—and Standard of Jersey has that ability. Instead of saying "making money," Mr. Holman prefers to think of his company as "creating wealth." Some people believe that in order for a company or person to make money, another group or person must lose it. That theory simply is not true in this age of creative capitalism, as the record of Standard of Jersey under Mr. Holman attests. —END

Canadian Economic Trend in 1956

(*Continued from page* 501)

larger and more efficient farms. There will unquestionably be more people looking for jobs in industry.

Since price supports in Canada have been on a much lower and more realistic level than in this country, the Canadian farmer has been able to meet growing competition in the world markets better than the United States farmer. However, our policy of unloading some of our farm surpluses on world markets at almost any cost is being watched with great apprehension. Although Canada may be blessed by bountiful crops in the future, agriculture especially in the Prairies Provinces is bound to remain a sore spot in the economic picture.

Dependence on U. S. Market and the Canadian Dollar

In summarizing it may be emphasized once more that Canadian economy's unexpectedly

(*Please turn to page* 540)

Canadian Economic Trend in 1956

(*Continued from page* 538)

rapid recovery from the 1954 doldrums to new record levels has been brought about largely by (one) new developmental projects, and (two) unprecedented demand for industrial raw materials from Western Europe and above all from the United States. In general, the dependence of Canada's prosperity on the United States has increased, and this development is causing apprehension among some Canadians who would like to see their country more independent economically.

There is nothing in the current picture that indicates that the United States purchases from Canada will decline. On the contrary, as our resources become depleted, we shall be more than ever dependent upon Canada, as is already the case with newsprint and paper and some nonferrous metals. Canada's 1955 merchandise exports to this country are expected to total $2,600 million, $250 million more than in 1954. However, Canadian imports from the United States have been rising even faster. For 1955 they may come to $3,450 million, or $500 million more than in 1954. At the same time Canadian tourists although fewer in number than U.S. visitors in Canada are apparently splurging here on gadgets and semi-luxuries, and their spending here in 1955 may be as much as $100 million more than U.S. tourist spending in Canada.

All this and the rising interest and dividend payments on U.S. investments point to an unprecedented Canadian deficit in current transactions with the United States. The decline in the premium which the Canadian dollar commanded in terms of U.S. funds and which once stood at $1.03½ is indicative of lessening demand for the Canadian dollar despite a still considerable flow of U.S. direct investment funds to Canada. A year ago Canadian monetary authorities deliberately followed a policy of "monetary ease" in order to discourage Canadian borrowing in New York and American interest in Canadian bonds with an object of helping the Canadian exporter. More recently the Canadian authorities fearing inflation returned to more restrictive policies but the Canadian dollar actually lost ground even though the discount rate was raised twice.

There can be little doubt about Canada's economy moving to still higher levels in 1956. But the rate of expansion may be less than in 1955 and concentrated in the primary industry sector. Unquestionably Canadian personal incomes and retail trade will also establish new records. But a relative stagnation in manufacturing industries and a continued decline in farm income in the Prairie Provinces may become problems. Nor is the Canadian economy immune to rising costs. All this points to the fact that Canadian developments will bear watching and indicate that investment in Canada should be increasingly selective.

With reference to the investment position of Canadian securities, it would seem likely that principal stocks of the type of Int'l Nickel, Canadian Pacific and Aluminium Limited which are held in large quantities by U.S. investors will be as much subject to the vagaries of the American stock market as that of the Canadian market itself. This means that they can share no special immunity from any substantial reactions which may occur on the American exchanges.

So far as Canadian securities, principally dealt in on the Canadian Exchanges, are concerned they are likely to be subject to the double influence of the U.S. stock markets and the Canadian market. On the whole, it would seem that Canadian securities have reached a peak for the time being at least. —END

Answers to Inquiries

(*Continued from page* 523)

with the company's acquisition of the business of John W. Hobbs Corp.

Third quarter results were particularly encouraging because that quarter should represent the seasonal low in company's activities, due to such factors as plant shut-downs for vacations and model changeovers in the auto-

motive industry. The effects of these interruptions were partially offset by the inclusion of the Hobbs Corp. results in operating figures for the months of August and September, 1955, but the sharp over-all improvement as compared to the 1954 third quarter was achieved principally in the combined results of other divisions.

Fourth quarterly cash dividend for 1955 was at an increased regular rate of 50¢ per share and an extra year-end cash dividend of 20¢ per share was paid. These latest payments were made on December 3rd. Total payments for 1955 were $1.95 per share plus 5% in stock. Prospects over coming months appear favorable.

Diamond Alkali Company

"Please furnish information on Diamond Alkali Co. as to principal products, late earnings and prospects over coming months."

C. G., Mountain View, N. J.

Diamond Alkali Co. makes a substantial number of inorganic chemical products generally classed as basic chemicals, and certain organic chemical products, sold principally to consumer goods industries for a wide variety of end uses. Of the national requirements, it supplies over 10% of merchant chlorine, about 15% of alkalis (including soda ash, caustic soda and bicarbonate of soda) and 25% of silicate of soda. Company is one of 3 domestic producers of chromium chemicals, and supplies about 35% of national requirements for sodium bichromate and chromic acid. Industries served are chemicals, soaps and detergents, metals, insecticides, glass, petroleum, plastics, pulp and paper, and rayon and other textiles, etc.

Continuing in their record-setting pattern of the first two quarters, sales and earnings of Diamond Alkali Co., Cleveland, Ohio, showed substantial gains for the first 9 months of 1955 over the same period of 1954.

Both net sales and earnings scaled the highest levels in the company's 45-year history. Net sales registered a 17% gain and net income per common share showed a 43% increase for the first 9 months of 1955 over the same period of 1954.

Net sales for the 9 months ended September 30, 1955 totaled $82,888,247, against $70,988,638 for the same period in the preceding year.

Net income, after taxes, for the first 9 months of 1955 was $6,255,846, which after preferred stock dividend, is equivalent to $2.58 per share on the 2,270,393 shares of common stock issued and outstanding, as compared with $4,477,861, or $1.80 per share for the first 9 months in 1954, as restated to reflect the average Federal income taxes and certain other items in 1954.

The improved results shown in 1955 reflect the combined fruits of the company's divisionalization program started 2 years ago, plus continued aggressive selling efforts, and intensified product-improvement and cost-reduction programs.

Practically every division of Diamond increased its sales and earnings. The Muscle Shoals plant, put on stream March 1st, is now operating at 80% of ca-

(*Please turn to page* 543)

Measures to Protect Public Against Stock Market Manipulations

One of the main purposes of the Securities Exchange Act is to prohibit manipulative practices so that investors can trade in markets where prices are established by freely operating investment demand and supply.

Section 9 of the act makes it unlawful to engage in "wash sales" or "matched orders" which create a false or misleading appearance of active trading. This section covers any security registered on a national securities exchange and also serves to prohibit activities that create misleading market prices. To prevent tampering with market prices not involving the crude device of "wash sales" and "matched orders," the section also makes it unlawful to effect a series of transactions in any security on a national securities exchange which creates actual, or apparent active trading in the security, or which raises or depresses the price of the security for the purpose of inducing others to buy or sell the security. It makes it unlawful for brokers or dealers to encourage the purchase or sale of such a security by the dissemination of rumors that the price of the security is likely to rise or fall because of manipulative market operations. It also makes it unlawful for a person interested in selling or purchasing securities to circulate false or misleading information for the purpose of inducing others to buy or sell.

Since the congressional hearings which preceded the enactment of the act did not develop conclusive evidence concerning the harmful effects of all "pegging" and "stabilizing" operations, such activities were not forbidden altogether. Instead, they were made subject to such regulation as the Commission might find necessary in the public interest or for the protection of investors.

In order to carry out its duties with respect to the antimanipulative provisions, the staff of the Commission keeps a daily watch on the news and stock tickers for current information affecting market prices. Significant price movements in particular securities are examined when there appears to be a possibility of manipulation.

The methods of investigation vary, depending upon the security involved and the market place in which it is traded. Generally, the investigation begins by obtaining from the appropriate available source (it may be the specialist if the security is traded on an exchange) the identity of buying and selling brokers during a designated period. The names of their buying and selling customers and the amount of their transactions are obtained from these brokers. This information is analyzed to determine whether there appears to be any concentrated or deliberate effort to influence the price. If it appears necessary from an analysis of the preliminary information, the buying and selling customers are interviewed.

If evidence of a violation is found, a formal order of investigation may be issued by the Commission, testimony taken under oath and subpenas issued for books and records. Few formal orders of investigation are issued (and fewer proceedings are begun in relation to the number of inquiries conducted). But these investigations operate as a significant deterrent to manipulative activities. It is also believed that the prompt initiation of an inquiry by the Commission frequently discourages a potential manipulation.

The Commission has adopted various rules to implement the antimanipulative provisions of the act. One of these, rule X-10B-2, prohibits any person engaged in distributing a security from paying any other person for soliciting or inducing a third person to buy the security on a national securities exchange. An exemption is granted in those cases where the payment of compensation is made according to the terms of a plan authorizing the payment of such compensation in connection with a distribution of securities. The plan, filed by the national securities exchange, must be approved and declared effective by the Commission.

In the use of this exemption, two types of plans have been developed by the exchanges to permit distribution of large blocks of securities on a national securities exchange. The first of these, the "special offering plan," evolved in 1941 as a result of numerous conferences between representatives of the Commission and of various stock exchanges. The second type of plan, called the "exchange distribution plan," was initially declared effective for the New York Stock Exchange (on the recommendation of the Commission's staff), on August 21, 1953, for an experimental period expiring February 26, 1954. The expiration date was subsequently extended to February 28, 1955. Other exchanges filed similar plans which were also declared effective for an experimental period expiring February 28, 1955.

These two types of plans permit blocks of securities to be distributed through the facilities of a national securities exchange when it has been determined that the regular market on the floor of the exchange cannot, within a reasonable time and at a reasonable price or prices, absorb the particular block of securities. The plans contain certain antimanipulative controls and also require participating members to make certain disclosures to persons whose orders are solicited. The principal difference between the provisions of the two plans is in the manner of determining the offering price of the security. A "special offering" is made at a fixed price based on the market price of the security. An "exchange distribution" is made in the regular auction market on the floor of the exchange. The New York Stock Exchange requested the Commission to declare the exchange distribution plan effective so that the regular auction market could be used for the sale of blocks of securities traded on the exchange which might otherwise be sold on the over-the-counter market. The Commission's staff felt that with certain antimanipulative provisions written into the plan, the auction market could properly be used for this purpose.

—Committee on Banking and Currency U. S. Senate

Answers to Inquiries

(*Continued from page* 541)

pacity, which is considerably ahead of earlier expectations.

Cash dividends of $1.50 per share, plus 3% in stock, was paid in 1955.

The outlook continues favorable.

Public Service Co. of Colorado

"I have been a subscriber to your publication for a good many years and it has kept me well informed on security investments. I would appreciate at this time receiving earnings data on Public Service Co. of Colorado and please include expansion program of the company." I. R., Tampa, Fla.

Public Service Co. of Colorado serves electricity and gas to an extensive area in Denver and surrounding communities with a total population of about 800,000. Earnings have been well maintained for the past few years and future revenues will be expanded from the rapid connection of new electric and gas customers and the construction of additional television stations.

Public Service Co. of Colorado expects earnings to rise from $2.31 a share in 1954 to in excess of $2.65 for 1955.

During the next four years, the company plans to spend $110,000,000 on new construction including a 100,000 kilowatt steam generating unit to be added to the new Cherokee station outside Denver in 1957, and another 100,000 k.w. unit scheduled for completion in 1959. The money will also pay for additions to the firm's electricity and gas distribution system.

This building program will require nearly $30,000,000 of fresh funds each year between 1956 and 1959, and the company plans to sell $46,000,000 of new securities while raising the rest internally.

New construction cash needed in 1956 will come from $10,000,000 the company got last November when it sold its 15% common stock interest in Colorado Interstate Gas Co. and from $4,000,000 of other funds available for expansion purposes at year's end. These funds should carry the

(*Please turn to page* 548)

BOOK REVIEWS

1956 Survey of Mines

Investors in Canadian mining enterprises will find in the 1956 Survey of Mines a valuable compendium of information on all Canadian mining companies. This 424 page manual covers every active mining company as well as the thousands of others that have merged, reorganized, etc. Reviews of individual companies include data on production, earnings, balance sheets, dividends, ore reserves, directors and a summary of significant developments. In addition, the work has tables of eight year price ranges of listed stocks, long-term records of mineral production, a list of dividend payers and the location of milling plants. Another important feature is the 24 pages of maps of leading mining areas, giving details of properties held by individual companies.

The Financial Post, Toronto $3.00

Great Enterprise

By HERRYMON MAURER

Here is the "inside story" of the growth and operation of 50 top corporations written by Herrymon Maurer with the assistance of *Fortune's* research facilities. Based on a four-year study of these industrial giants, this work throws a powerful spotlight on the large corporate entity as a *group enterprise*—"the most potent and pervasive method of social organization since ancient times."

Written in *Fortune's* stimulating editorial style, this book will guide the intelligent citizen to a truer appreciation of the present-day corporation—its functions, its complex network, management problems and solutions, economic and social influences, and its probable future.

For the First Time: —this book presents that whole set of newly evolved principles and policies under which modern corporate management operates:—

.... What social responsibilities do the big corporations recognize?

.... How are the varied and often conflicting interests of stockholders, employees, suppliers, and customers reconciled?

.... Are pricing and wage policies affected by other than short-run profit considerations?

Great Enterprise tells the history of the corporation from its earliest beginnings to the great changes of the present. It discusses the big corporations at work; its transactions and markets, its organization, the work of directors, management by committee, decentralization, various types of corporate structure, and the timely question of state control over the mammoth industries.

Macmillan $5.00

Introduction to Investments

NEW SECOND EDITION

By JOHN C. CLENDENIN

Over 100 colleges and universities adopted the first edition of this outstanding work, which immediately established itself as the peer of any introductory text heretofore published from the point of view of the personal investor. Now the author has made an excellent text even better.

Among the popular features are the logical organization, the terse yet effective style, the balance and maturity of observations, and the successful use of current illustrations. The book stresses the solution of personal investment problems—the objectives, policies, and risks; introduces a wide variety of pertinent subject matter; places considerable emphasis on the forms and mechanics of investments; and emphasizes the broad coverage of investment opportunities and the supply-and-demand problem of the valuation of investments. The author does a particularly fine job analyzing security prices and their behavior.

Like the first edition, this is a short, general textbook basically planned for a standard junior-senior one-semester college course in investments. It adheres to the thesis that college students in this subject are chiefly interested in investments from a family viewpoint. Since family investments must be made with consideration of all of the family's properties and expectations, the book includes such diverse topics as life insurance, government bonds, savings institutions, estate and tax planning, real estate, and corporate securities. In every chapter the author's purpose is to provide a basic understanding of the mechanics of procedure, coupled with a sound presentation of the "reason why."

McGraw-Hill $6.50

Men From the Sea

By K. M. WALLENIUS

Here are five exciting tales of Scandinavian and Finnish Lapland, held together by a common theme—the impact of the Arctic ruggedness on its people. In moving imagery, the author succeeds in capturing the dazzling beauty of the North as well as the mood of its sturdy men and women.

Simply and beautifully, the accounts tell of mutiny, desertion, seal and walrus hunting, tensions among sailors during months of isolation, a small town on the eve of a ship's departure, the ethical and religious strains that blend so curiously with the mercenary, and Hermanni Paana, the one hero. Always present is the struggle for survival, the dependence on the sea, the helplessness of these people before the elements, and their familiarity with death. Here are salt-sprayed men who are in tune with the nature of their lands and seas—men who are courageous and vigorous, religious and poetic.

K. M. Wallenius, a retired major general of the Finnish Army, has lived much of his life in Lapland, and knows and loves its wilderness and people. At present, he is living in a Lapland blockhouse with his wife and dogs. He is the author of several previous books, including a successful novel. This is his first book to be translated into English.

Alan Blair, who translated this book from the Finnish, is the translator of *Barabbas* and *The Eternal Smile and Other Stories* by Pär Lagerkvist.

Oxford $4.00

Potential Economic Growth of the United States

(Note: the following is an estimate of the rate of economic growth in the United States by 1965. Three important areas are analyzed.)

---

(1) Disposable personal income is estimated to rise from $250.1 billion in 1953 to $380 billion in 1965. This implies a rise in disposable personal income per capita in 1953 dollars from $1,567 to about $2,000, or on a per household basis from $5,321 in 1953 to about $6,785 in 1965. It reflects the assumption stated elsewhere that personal taxes will be lowered, that pay rates and employment will rise, and one assumption not otherwise stated—that corporations will pay out in dividends higher proportions of their net profits after taxes than is true at present though not as high as in some other previous high employment periods.

(2) Personal savings are assumed to decline from the average of 7.9 percent prevailing over the last 3½ years to an average of about 6 percent of disposable personal income by 1965. Such a change, if it occurs, would constitute a substantial structural shift. Most experts consulted seemed to believe that such a shift toward a lower savings rate would be needed in the years ahead in order to provide: (*a*) An increased market for consumer goods; and (*b*) through this increased market an incentive for high-level business investment. It should be recognized that this savings rate of 6 percent is close to the lower limit of the range of possibilities for the decade ahead.

Measurements of the current and past levels of savings are themselves not as reliable as would be desirable, and when approaching the problem of projecting for a period over a decade into the future the possibilities fan out over a greater range than with many economic data. Equally rational analyses can be constructed which would justify placing the rate as low as 4 to 5 percent or as high as between 9 and 10 percent.

Changes in contractual savings obligations such as repayment of debt and contributions to private pension and retirement funds; the introduction of new products; changes in social aspirations or tastes; a growth in households headed by retired workers; a sharp increase in the number of children in teen-age brackets who are consumers but not producers; an increase in leisure; a decrease in the proportion of the population between 18 and 44 years of age when savings are low, and an increase relatively in the population between 45 and 64 when the savings rate is higher—all these factors must be given consideration. Judgments vary as to the weight each factor should receive and even in some cases as to the direction in which it might influence the savings rate. Better data and more research are needed. The best that can be done at the moment seems to be to accept the consensus of a trend toward a somewhat lower savings rate while recognizing that some factors may be working strongly toward a rate higher than even that of recent years.

At the same time we must recognize that after 1965 we will have a very strong force tending to shift the savings rate toward a lower level. Then, the high birthrates of the earlier war and postwar years will be reflected in a high rate of new family formation. They will be in the stage of life when homes, automobiles, household furnishings, and other durable goods typically are acquired for the first time. This suggests that in this later period a shift in the proportion of the population toward these younger age brackets between 18 and 44, years of life during which savings are at a minimum and dissavings through additions to debt are frequent, may operate to lower the savings rate substantially. This trend would be reinforced by the increased proportion of the population over 65 who will be eligible under social security or private pension plans for retirement, and who will have low rates of savings if indeed they do not, on net balance, actually use up savings made prior to retirement.

(3) The assumption that personal savings will be 6 percent of personal disposable income means that consumer expenditures could rise from $230.1 billion in 1953 to $357 billion in 1965 in constant prices. This is a rise per capita from $1,442 in 1953 to $1,880 in 1965. The assumed division of the total between durable goods, nondurable goods, and services was made by projecting each of these groups on the basis of relation of consumption to income (per capita or per household) and then adjusting these to the assumed total of $357 billion. Durable goods expenditures in 1953 prices are assumed to rise from $29.[illegible] billion in 1953 to $50 billion in 1965 or from $186 per capita in 1953 to $263 per capita in 1965. This means a rise per household from $632 in 1953 to $893 in 1965, or over 40 percent. Nondurable goods expenditures in 1953 prices are assumed to rise from $118.9 billion in 1953 to $185 billion in 1965, or from $74[illegible] per capita to $974 per capita. The fact that such expenditures per capita rise only about 31 percent reflects in part their lesser sensitivity to rises in income and partly the large increase in the population under 14 years of age where consumption of these goods is less per capita than the average for the adult population. Expenditures for services in 1953 dollars are assumed to rise from $81.4 billion in 1953 to $122 billion in 1965, a rise from $510 per capita to about $642 per capita. Such an assumption is slightly more than long-range trends would indicate but reflects crudely the assumed effect on service expenditures of shorter hours, an increase in the proportion of retired workers and the greater than average increase in educational expenditures due to the expected increase in children of school age, particularly at the college level.

In summary, by 1965 total national demand for goods and services at 1953 prices could amount to $535 billion per year of which Government could account for $97 billion, business for $81 billion, and consumers for $357 billion.

—Joint Committee on the Economic Report

In The Next Issue
Companies Whose Wage Contracts Expire in 1956

Two Rare Opportunities To Buy Now

Our investment campaign for 1956 has just started with the release of two opportunities, which are rare, indeed, in this market . . . and represent unusually strong special situations. By acting now, you can share in the profit and income from these new selections.

A DYNAMIC GROWTH STOCK
10% Under its 1955 High

An industrial giant of the future in a powerful phase of expansion today. A leader in research, it is growing through profitable new products, successful acquisitions and plant additions. Outstanding managerial ability has given it a diversified stake in such prospering fields as basic and miracle chemicals, petrochemicals, staple and wonder drugs, rocket engines, aluminum, paper, jet planes. Earnings are rising strongly with the first three quarters of 1955 showing a 20% increase, so the 3.5% yield is widely covered and could be increased. Finances are sound with current assets 4.1 times current liabilities. AN EXCEPTIONAL OPPORTUNITY FOR CAPITAL BUILDING.

AN INVESTMENT BARGAIN
Yielding 5.5%

Above-average dividends are broadly covered by steadily rising 1953-54-55 earnings (up 23% in the first 9 months of 1955). A top company in its field—management is capable and experienced—and the balance sheet is impressive with current assets 4.6 times current liabilities. A true investment bargain, this issue is selling 20 points below its 1946 high—despite the fact that 1955 dividends are $1.15 more and earnings are running 20% above those of 1946. A retarding outside influence is wearing off and this fine stock is materially underpriced in relation to its quality, 5.5% return and sound enhancement prospects for the year ahead.

Further Opportunities To Emerge

In our coming Forecast bulletins we will give the buying signal when promising stocks are truly undervalued in light of bright 1956 prospects. And . . . over the months ahead as further exceptional opportunities emerge at bargain prices—we will round out our invested position in our 3 *supervised* investment programs, including

- **High-grade securities stressing safety, assured income - sound enhancement**
- **Dynamic Stocks for Substantial Profits with Higher Dividend Potentials**
- **Strong Low-Price Situations for Large Percentage, Longer-Term Gains**

Each week, too, you will receive our Bulletin, keeping you a step ahead of the public, on the outlook for the securities market—the action of the 46 major stock groups . . . prospects for business—latest Washington news . . . as well as current trend signals given by the Dow Theory—and by our famous Supply-Demand Barometer.

ENROLL NOW—GET OUR LATEST ADVICES
—our counsel on your present holdings.

Send your subscription today, so you will receive our prompt buying advices on our 2 new special situations.

With your order, enclose a list of your present security holdings (12 at a time). Our staff will analyze them promptly and counsel you which to retain—which to sell to release funds to buy our new and coming recommendations.

Mail Coupon Today

Special Offer

6 MONTHS' SERVICE **$75**

12 MONTHS' SERVICE **$125**

Complete service will start at once but date as officially beginning one month from the day your check is received. Subscriptions to The Forecast are deductible for tax purposes.

SPECIAL OFFER—Includes one month extra FREE SERVICE

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

I enclose ☐ $75 for 6 months' subscription: ☐ $125 for a year's subscription

(Service to start at once but date as officially beginning one month from the day you receive my payment.)

SPECIAL MAIL SERVICE ON BULLETINS

Air Mail: ☐ $1.00 six months: ☐ $2.00 one year in U. S. and Canada.
Special Delivery: ☐ $5.20 six months ☐ $10.40 one year.

☐ Telegraph me collect in anticipation of important market turning points... When to buy and when to sell... when to expand or contract my position.

Name..........

Address..........

City..........

State..........

Your subscription shall not be assigned at any time without your consent.

List up to 12 of your securities for our initial analytical and advisory report.

As I See It!

(*Continued from page* 481)

Department manages to follow this course, it will not only improve its own deteriorated position in the eyes of the world but that, indeed, it will even be able finally to bring peace to the danger spots of the Middle East.

Under the circumstances, we trust we will be absolved from a charge of boorishness, if we suggest that Mr. Eden's visit is poorly timed. By its own faulty policies, in the Middle East, the British government has forfeited the confidence of large sections of the American people. It might serve a useful purpose, we believe, if the British Prime Minister were not left in the dark about this when he arrives in Washington.

Perhaps it would serve if we were to remind the State Department that the time for forthrightness is now. —END

Correction

Since our comments in the January 7 issue under the caption, "Meat Packing Companies" Armour & Co., has released its fiscal 1955 report, showing sales and service revenue of $1,976 billion. Although this sum was down from the previous year's $2,056 billion, tonnage sales were the second highest in history, and net earnings per dollar of sales increased to 51 cents as compared with 8 cents in fiscal 1954. Per share earnings rose to $2.49 from a deficit of 35 cents in the previous year.

Correcting the statement appearing in our comments, Armour has no outstanding preferred stock, its $6 prior preferred, together with $18.50 in accrued dividends, being redeemed at $120 a share, paid in new 5% cumulative income subordinated debentures due November, 1984. While 1955 earnings showed a marked improvement over 1954, long-term debt retirement and capital expenditure requirements banned payment of dividends on the common stock. The company closed its year with current assets totaling $259.8 million which exceeded by $157.1 million current liabilities of $102.6 million.

BOOK REVIEWS

The United Nations and the Maintenance of International Peace and Security

By LELAND M. GOODRICH and ANNE P. SIMONS

This is the first of a series of studies being published by the Brookings Institution on major features of the United Nations system. These studies were begun in the summer of 1951 under the direction of the late Dr. Leo Pasvolsky, who until his death on May 5, 1953, was Director of the International Studies Group at the Institution. They are intended to contribute to better public understanding of the history and experience of the United Nations system.

It is the purpose of this volume to analyze and appraise the methods and processes for maintaining peace and security through the United Nations. It covers the procedures that have been developed under the Charter for the peaceful settlement or adjustment of disputes and situations, the use of collective measures in threats to or breaches of the peace, and the regulation of armaments, and evaluates these methods and processes in light of the conditions in which the United Nations has had to function.

The volume is divided into six parts. As a background for the main body of analyses, Part One sketches the development, under the impact of changing world conditions since the Second World War, of the United Nations system for the maintenance of international peace and security.

The next three parts deal with the work of the United Nations in handling disputes and threatening situations. The analysis concentrates on the problems the Organization has faced at various stages in the handling of these questions, the considerations that have influenced the choice of the course of action that has been followed, and the nature and adequacy of the processes that have been developed. Part Two covers the procedures used in the initial consideration of disputes and situations by the various organs, Part Three the methods used or recommended for peaceful settlement and adjustment, and Part Four action taken with respect to threats to the peace, breaches of the peace and acts of aggression.

Part Five analyzes the experience of the United Nations with the formulation of plans for the international regulation of armaments. The postwar development of atomic and other weapons of mass destruction and the rapid deterioration of relations between the Soviet Union and the Western powers have given a new and growing importance to the attempts of the United Nations to fulfill its responsibilities in this field. The results of these efforts and the lessons to be drawn from the experience are the focal points of the analysis.

Part Six, the final one, summarizes and appraises the activities of the United Nations in the peaceful settlement of disputes and situations, the use of collective measures, and the regulation of armaments. The yardstick applied is the extent to which the United Nations through these activities has contributed to the maintenance of international peace and security. The appraisal is not only concerned with the degree of success achieved; it also seeks to make clear the limitations under which the United Nations has operated and which have conditioned its effectiveness.

The authors are highly qualified to deal with these complex and technical subjects. Leland M. Goodrich is Professor of International Organization and Administration at Columbia University and has written extensively in the field. Anne P. Simons is formerly of the staff of the General Political Section, Department of Security Council Affairs, United Nations Secretariat.

Brookings Institution $6.00

Band of Angels

By ROBERT PENN WARREN

This is the story of Amantha Starr, as she tells it, at the time of the Civil War and the years immediately before and after.

She bgins with her motherless childhood in Kentucky, on her father's plantation, and then moves on to Oberlin, Ohio, where she is sent at the age of nine for her education—not to return until years later, at sixteen, when she hears of her father's sudden death.

But the real beginning is the shocking revelation she encounters at her father's graveside, where in an instant she is transformed from a Kentucky girl of high station, free and white, into one of her bankrupt father's slaves. She learns that her mother had been a slave of the plantation, and that she herself is subject to seizure and sale by his creditors. She is sold to a dealer and taken downriver to New Orleans, where her beauty and youth command a good price.

From this point on her life is one of violent contrasts, lived in the violence of war and its aftermaths. It is the story of her struggle to be free—free in more than the legal sense—and of how the various people through whom she sought freedom failed, just as her father had, to give it to her: Hamish Bond who had great wealth and property but who lived with a dark secret; Seth Parton, her Oberlin sweetheart, who reappears in New Orleans in Federal uniform; Miss Idell, former mistress of her father; Rau-Ru, the black child snatched from the Congo to become a hero in America; Tobias Sears, the New England idealist to whom the butcheries of war must be justified by "truth."

Amantha's life is a series of bizarre and dramatic adventures—some thrust upon her by her peculiar status, others produced by her own inner needs and failures. But her story is an incisive interpretation of one of the darkest and most formative periods in American history.

Random House $3.95

The Magazine of Wall Street's

COMMON STOCK INDEX

1956 Grouping of the 300 Component Issues

H—Component of the 100 HIGH PRICED STOCK Group
L—Component of the 100 LOW PRICED STOCK Group

4—AGRICULTURAL IMPLEMENTS
Deere
Int. Harvester
L—Minn.-Moline
L—Oliver

3—AIR CONDITIONING
Carrier
L—Fedders-Quigan
L—York

9—AIRCRAFT
H—Boeing
L—Curtiss-Wright
H—Douglas
H—General Dynamics
Lockheed
Martin
No. Amer. Aviation
Republic Aviation
H—United Aircraft

7—AIRLINES
L—Am. Air Lines
L—Braniff
H—Eastern Air Lines
L—Northwest Air Lines
L—Pan American
L—Trans-World
United Airlines

4—ALUMINUM
H—Aluminum Co. Amer.
H—Aluminium Ltd.
Kaiser
H—Reynolds Metals

6—AMUSEMENTS
L—Am. Broadc. Par.
L—Loew's
Paramount Pictures
L—Republic Pictures
20th Century Fox
L—Warner Bros.

9—AUTO ACCESSORIES
H—Bendix Aviation
H—Borg Warner
L—Budd Co.
H—Elec. Auto-Lite
Elec. Storage Batt.
L—Houdaille Inds.
Rockwell Spring
Stewart Warner
L—United Ind'l.

6—AUTOMOBILES
L—Amer. Motors
H—Chrysler
H—General Motors
L—Mack
L—Studebaker-Packard
White

4—BAKING
Amer. Bakeries
Continental
L—General Baking
H—Nat. Biscuit

3—BUSINESS MACHINES
Burroughs
H—Nat. Cash
Sperry Rand

6—CHEMICALS
Air Reduction
H—Allied Chem.
Amer. Cyanamid
L—Comm. Solvents
H—Du Pont
H—Union Carbide

4—COAL MINING
L—Lehigh C. & N.
L—Lehigh Valley Coal
L—Phila. & Rdg. C. & I.
H—Pittsburgh Cons.

4—COMMUNICATION
L—Am. Cable & Radio
H—Amer. Tel. & Tel.
L—Int. Tel. & Tel.
Western Union

9—CONSTRUCTION
L—Am. Radiator
L—Certain-teed
Crane
Flintkote
H—Johns-Manville
H—Lone Star Cement
Nat. Gypsum
H—Otis Elevator
L—Walworth

7—CONTAINER
H—Am. Can
H—Container Corp.
H—Cont. Can
L—Crown Cork
L—Gair
L—Nat. Can
H—Owens-Ill. Glass

7—COPPER MINING
Anaconda
L—Calumet & Hecla
L—Cons. Copper
Inspiration
H—Kennecott
Miami
H—Phelps Dodge

2—DAIRY PRODUCTS
H—Borden
National Dairy

6—DEPARTMENT STORES
H—Allied Stores
Associated Dry Goods
H—Federated
L—Gimbel Bros.
Macy
Marshall Field

5—DRUGS—ETHICAL
Abbott Labs
L—Merck
Parke Davis
Pfizer
Schering

6—ELECTRICAL EQUIPMENT
H—Allis-Chalmers
H—Cutler Hammer
L—Emerson Elec.
H—General Electric
Square D
H—Westinghouse

2—FINANCE COMPANIES
C. I. T. Financial
H—Commercial Credit

6—FOOD BRANDS
H—Best Foods
Corn Products
H—Gen. Foods
L—Libby McNeill
Stand. Brands
L—Stokeley-Van Camp

3—FOOD STORES
Food Fair
H—Kroger
Safeway

4—GOLD MINING
L—Alaska Juneau
L—Benguet
Dome Mines
H—Homestake

4—INVESTMENT TRUSTS
Adams Express
Atlas Corp.
H—Lehman Corp.
Tri-Continental

3—LIQUOR
Distillers-Seagrams
Nat. Distillers
Schenley

9—MACHINERY
L—Am. Mach. & Fndry
H—Babcock & Wilcox
L—Blaw Knox
Bucyrus-Erie
H—Caterpillar
Fairbanks Morse
Foster Wheeler
L—Gar Wood
Worthington Corp.

3—MAIL ORDER
H—Montgomery Ward
H—Sears Roebuck
L—Spiegel

4—MEAT PACKING
L—Armour
L—Cudahy
H—Swift & Co.
L—Wilson

5—METAL FABRICATING
Bridgeport Brass
General Cable
Mueller Brass
H—Revere
Scovill

10—METALS, MISCELLANEOUS
Am. Smelting
L—Am. Zinc
L—Callahan Zinc
H—Climax Molybdenum
H—Int. Nickel
L—Pacific Tin
St. Jos. Lead
L—Sunshine Mining
L—United Park City
Vanadium

4—PAPER
H—Crown Zellerbach
H—Int. Paper
St. Regis
H—Union Bag

22—PETROLEUM
Atlantic Refining
H—Cont. Oil
H—Cities Service
H—Gulf Oil
H—Houston Oil
Ohio Oil
L—Panhandle Oil
H—Phillips Pet.
Plymouth Oil
H—Pure Oil
H—Royal Dutch
Richfield
H—Shell Oil
Sinclair
Socony
H—Stand. Oil Calif.
H—Stand. Oil Ind.
H—Stand. Oil N. J.
Stand. Oil Ohio
L—Sunray
H—Texas Co.
Tide Water Assoc.

21—PUBLIC UTILITIES
Am. Gas & Elec.
L—Cent. Huds. G. & E.
Cent. & S. W.
H—Cleveland Elec.
L—Columbia Gas
Commonwealth Ed.
H—Cons. Edison
Consumers Pr.
Detroit Ed.
L—L. I. Lighting
Middle So. Utils.
L—New Eng. El. Sys.
Niag. Mohawk Pr.
L—Northern States Pr.
Pac. Gas & Elec.
Penn. Pr. & Lt.
L—Potomac Elec. Pr.
Pub. Ser. E. & G.
L—South Carolina E. & G.
Southern Calif. Ed.
L—Southern Co.

7—RAIL EQUIPMENT
A C F Inds.
L—Alco Products
Am. Steel Foundries
L—Baldwin Lima
H—Pullman
L—Symington-Gould
Westinghouse Air Brake

20—RAILROADS
H—Atchison
H—Atlantic Coast
B. & O.
C. & O.
L—Chi. Milw. St. P. & P.
H—D. & H.
L—D. L. & W.
L—Erie
H—Gt. Northern
H—Ill. Central
H—Kansas City So.
L—Lehigh Valley
N. Y. Central
H—North. Pac.
L—Penn. R. R.
St. L.-San Fran.
H—Seaboard Air Line
H—So. Pac.
H—So. Ry.
H—Union Pacific

3—SOFT DRINKS
L—Canada Dry
H—Coca-Cola
L—Pepsi-Cola

12—STEEL & IRON
Alleg. Ludlum
H—Armco
H—Beth. Steel
Colo. Fuel & Iron
L—Detroit Steel
H—Inland Steel
L—Interlake
Jones & Laughlin
H—Nat. Steel
H—Republic Steel
H—U. S. Steel
H—Youngstown Sheet

4—SUGAR
Am. Crystal
L—Cuban-American
L—West Indies
L—Vertientes-Camaguey

2—SULPHUR
H—Freeport
H—Texas Gulf

11—TELEVISION & ELECTRONICS
L—Admiral
L—Emerson Radio
L—Gen. Instrument
Magnavox
Motorola
Philco
R. C. A.
L—Raytheon
L—Sparks-Withington
Sylvania
H—Zenith

5—TEXTILES
H—Am. Viscose
L—Burlington Mills
Celanese
L—Textron
L—United Merchants

3—TIRES & RUBBER
H—Goodrich
H—Goodyear
U. S. Rubber

5—TOBACCO
H—Am. Tobacco
H—Liggett & Myers
L—Lorillard
Philip Morris
H—Reynolds Tob. "B"

1—VARIETY STORES
Kresge (S. S.)
H—Woolworth

15—UNCLASSIFIED
L—Am. Bosch
L—Am. Hide
L—Avco
L—Continental Motors
L—Curtis Pub.
H—Eastman Kodak
L—Fawick Corp.
L—Greyhound
L—Newport Inds.
L—Pitts. Screw
H—Procter & Gamble
L—Rexall Drug
L—United Cigar-Whelan
H—United Fruit
L—U. S. Inds.

Answers to Inquiries

(*Continued from page* 543)

building program through the greater part of this year, and if any extra cash is needed it will be raised through short-term bank loans.

Indications are that the company will sell about $30,000,000 of first mortgage bonds in 1957 which should keep the construction program rolling through 1958. A further $16,000,000 of preferred stock may be issued in late 1958 or early 1959 but the company has no plans to issue any new common stock prior to 1960, according to the vice president of the company.

Public Service of Colorado subsidiaries will spend about $10,000,000 on new plant and equipment during 1956-59 and will need $6,000,000 of new funds, which probably will be raised through the sale of bonds to institutional investors.

Dividends in 1955 totaled $1.70 per share with latest quarterly payment of 45¢ per share. Prospects continue favorable.

American Steel Foundries

"Please furnish information on American Steel Foundries as to earnings, dividends and outlook. Your attention will be appreciated."

F. J., Paterson, N. J.

American Steel Foundries is a leading maker of castings, including many basic parts used in railway rolling stock, construction and repair. Machine tools, hydraulic equipment, steel castings, forgings, etc. are also made for industrial, automotive, and other uses. Domestic subsidiaries produce chilled iron and cast steel car rails; also roller chains and sprockets for application in products ranging from earth-moving machinery to bicycles. Canadian subsidiaries make steel freight car wheels for sale in Canada. Railway equipment products account for the largest percentage of sales.

American Steel Foundries had net income of $3,770,371, or $3.17 per share, on sales of $80,664,461 in the fiscal year ended September 30, 1955. This compares with net income of $3,626,688, or $3.05 per share, on sales of $89,013,926 in the 1954 fiscal year.

Shipments and earnings were more satisfactory in the last half of the fiscal year than they were in the first half. Net income amounted to $2.37 per share in the last six months as compared to 80¢ per share in the first six months. Earnings in both the June 30th and September 30th quarters were larger than in any quarter since December 31, 1953. The year began at a slow pace. Railroads were buying very few new freight cars. Volume from industries other than railroads picked up in the second fiscal quarter. Substantial railroad buying did not begin until June.

About 50% of the earnings in 1955 were attributable to diversification steps taken since World War II.

Unfilled orders amounted to $40,000,000 at September 30, 1955, as compared to $13,500,000 at September 30, 1954. The low point during the year occurred at December 31, 1954, when unfilled orders amounted to $12,500,000. Orders received in the September 30, 1955, quarter amounted to $41,000,000. This was the largest volume of incoming orders since the quarter ended March 31, 1951. New freight car purchases contributed substantially to the larger volume of incoming orders.

Prospects with respect to both shipments and earnings are good for the quarters ended December 31, 1955, and March 31, 1956. Fiscal year is expected to show substantial improvement over the year just ended.

The latest quarterly dividend was 60¢ a share, payable on December 15, 1955 and previous quarterly dividend was 50¢ per share. Thus full-year 1955 dividends totaled $2.10 per share. Dividend payments in 1954 were $2.50 per share.

Cornell-Dubilier Electric Corp.

"Please tell me precisely the nature of Cornell-Dubilier Electric Corporation's business, also state recent earnings and dividend payments."

S. D., Poughkeepsie, N. Y.

Cornell-Dubilier Electric Corp. is one of the largest manufacturers of capacitors and a leading producer of vibrators. Capacitors find use in virtually all types of electric, radio and electronic equipment, while vibrators are used principally in automotive radio equipment and light portable appliances, and as a principal component in power supply units which also are made by the company and others. Cornell also makes television and automobile radio antennae, and television antennae rotators.

Net income of Cornell-Dubilier Electric Corp. for the fiscal year ended September 30, 1955 was the highest in the company's history, amounting to $1,809,00[illegible]. After dividends on the preferred stock, the earnings were equal to $3.41 per share on 512,390 outstanding shares of common stock. For the preceding fiscal year, company reported income of $1,729,640, equal to $3.2[illegible] per share on the same number of shares outstanding.

Net sales for the latest fiscal year totaled $34,955,172 compared with $37,149,778 reported for the fiscal year ended September 30, 1954, which was the second highest sales volume in the company's history. The sales decline was attributed to lower prices for certain of the company's products and to smaller capacitor requirements of new black and white television set models. In the coming year, however, increased sales in color television receivers which require three times as many capacitors as black and white sets, should be a decisive factor in the company's sales. In addition, the wide-spread application of capacitors and filters in many diversified electronic fields gives promise of greater sales in the future.

Of particular importance, are the great strides made by the company's engineering laboratories in the development of the tantalum capacitor and a full line of metal tubular aluminum electrolytic capacitors which are utilized in subminiature units such as pocket radios, smaller hearing aids and other applications employing transistors in place of vacuum tubes. The company's new printed circuits and a mica capacitor recently developed by the company is showing increasing sales possibilities in military, industrial and television fields and will be especially useful in automation adaptations.

Net working capital at the close of the latest fiscal year amounted to $12,698,488 compared with $12,311,877 at the close of the previous fiscal year.

Dividends including extras totaled $2.10 per share in 1955 against $1.90 paid in 1954.

—END

IOI

YE"

on.